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U.S. UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL MARKETING ADMINISTRATION

**REPORT OF
REGIONAL ADMINISTRATORS' CONFERENCE
August 25-28, 1942**

(For Administrative Use Only)

Washington, D. C.
October, 1942

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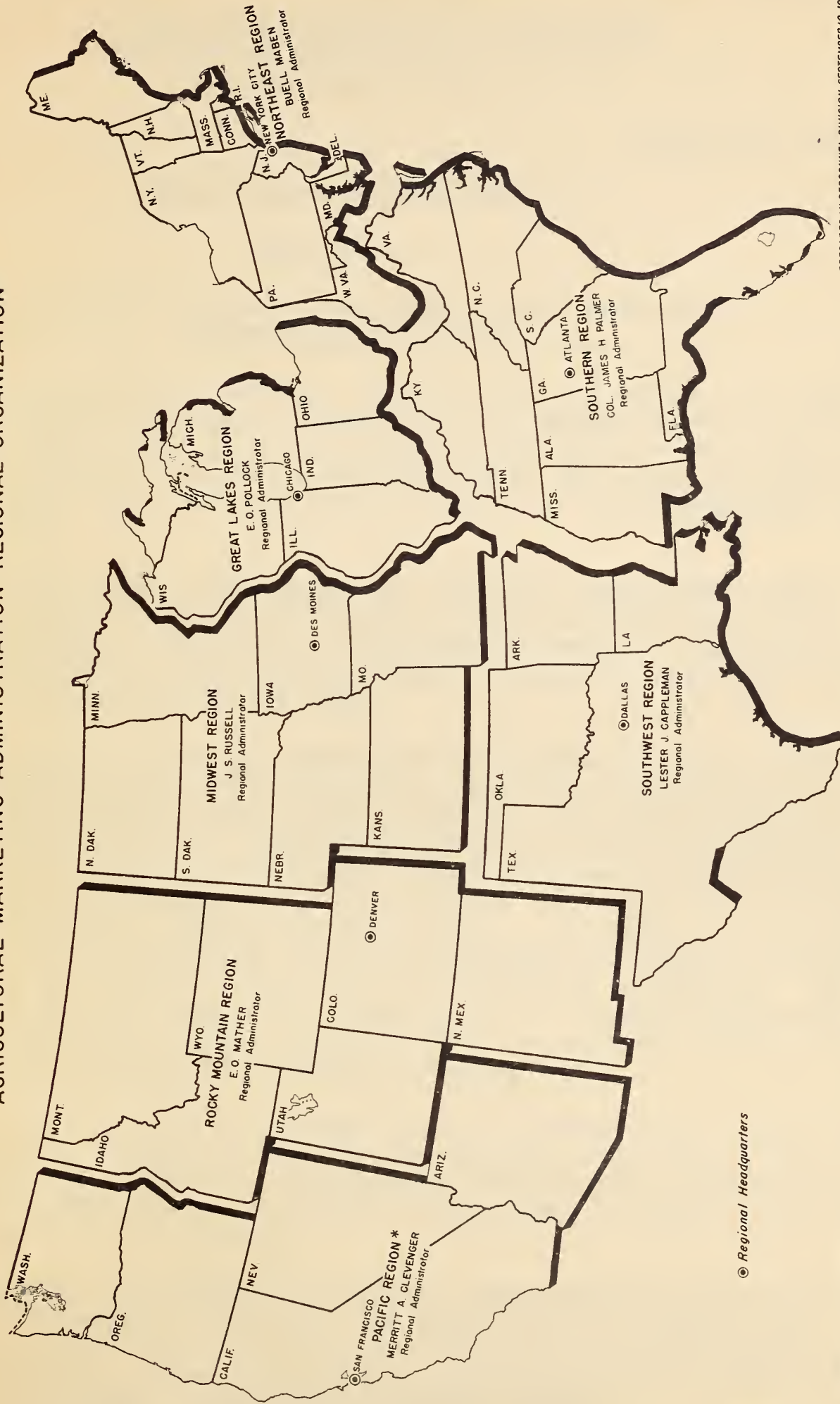
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AGRICULTURAL MARKETING ADMINISTRATION REGIONAL ORGANIZATION



* INCLUDES ALASKA AND HAWAII

U. S. DEPARTMENT OF AGRICULTURE

PREPARED IN PERSONNEL DIVISION, SEPTEMBER 10, 1942

NEG. 572 AGRICULTURAL MARKETING ADMINISTRATION

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Marketing Administration
Washington, D. C.

August 31, 1942

ADMINISTRATOR'S MEMORANDUM NO. 2

Supplement I.

Establishment of Field Organization of the Agricultural
Marketing Administration

The organization of the Washington activities of the Agricultural Marketing Administration was announced in Administrator's Memorandum No. 2 on March 9. Since that time a great deal of thought has been given to the question of how AMA's activities can best be administered in the field, and numerous field officials have been consulted on problems of field organization and relationships.

Naturally there is no single viewpoint, since the organizations which have been merged in the creation of AMA followed different patterns of field organization. Each of the former patterns cannot be continued if AMA is to have a form of organization designed to delegate increasing responsibilities to the workers in the field.

The difficulties of regional organization of the Administration have been fully discussed and are well recognized. The fact is inescapable that field operations must be more closely unified. The program functions not closely enough related to integrate automatically must be coordinated. It is essential to AMA as a functioning organization that someone be able to speak for it as a whole in the several regions. Whatever the distinguishing characteristic of various functions may be, every function of the AMA contributes to our broad and continuous assignment--to improve the system which moves the produce of agriculture into ultimate consumption. That improvement will not come from a single method or a single program--it requires instead many methods, many programs, so organized and so related that they move together in an orderly, sensible way.

It should not be necessary for people to come to Washington to do business with AMA simply because the business involves the activities of more than a single branch or division. Likewise AMA needs--and has--people whose job it is to apply the broad concepts of AMA region by region to area and regional problems of marketing.

We want to make the transition to regional administration with as few personal adjustments as possible. The changeover can be orderly and systematic, interfering as little as possible with the efficiency of day-to-day operations. If we work together cooperatively as I am sure we will, we will all recognize substantial improvement shortly.

Each person assigned duties as regional administrator will have three stages in the development of his functions.

Effective September 1 he will assume duties as regional administrator, after assigning any present duties he may have to an associate who shall be in charge of that activity on an "acting" or pro tem basis. The first duties of the regional administrator shall be to discuss with the leaders of the principal lines of work in his region their problems and suggestions. During this period, the regional administrator shall acquaint himself fully with the kind and types of work assigned to AMA in the region. During this period there will be no change in the normal line of responsibility of field workers to their superior officers.

Effective September 15 the regional administrators will assume responsibility, by appropriate delegations, for functions in the administrative management field for their regions, including personnel, information and general business management.

Effective September 15 the field functions of the Distribution Branch will be assigned to the regional administrator for supervision.

Effective September 15 the field functions of the Purchase Branch incident to the administration of Section 32 will be assigned to the regional administrator for supervision.

Subsequently, other duties incident to new or existing programs will be delegated to the regional administrator for supervision. Washington branch chiefs and other executives are expected to suggest to the Administrator such territorial realignments of their work as to facilitate orderly delegation of supervisory work to regional administrators as rapidly as practical.

In addition, regional administrators shall have as their functions for the territories assigned to each:

1. To serve as the Administrator's personal representative.
2. To assume general leadership for the AMA in relationship with other agencies of the Department, other agencies of Government, and the public.
3. To suggest and transmit suggestions of other AMA workers in the region for improving our programs, the quality of our service and economies in administration.
4. To carry out promptly and efficiently instructions and policies of the Administrator or his associates including the chiefs of branches and administrative divisions. To eliminate any possible conflicts in instruction, an appropriate system of communication from

Washington to the field will be established. Generally speaking, however, all branch chiefs will transmit instructions to the field as before except in cases where supervision for an activity has been specifically delegated to a regional administrator. Then instructions will go to the regional administrator, except where, with the consent of the regional administrator, instructions are to be transmitted directly to a specific field worker or group of workers.

The regional administrator shall maintain at regional headquarters as small a staff as possible, consistent with the necessity of discharging promptly and efficiently his responsibilities. The pattern of organization in the various regions shall be as nearly uniform as possible consistent with the need for some flexibility reflecting the differences between regions in problems and work load. The organizational pattern of each regional office and amendments thereto shall be approved by the Assistant Administrator in charge of administration.

Each regional administrator shall recognize as functions and shall assign a person in charge of not more than one of the following areas of work: general management and service functions; distribution; marketing reports, purchase; supervision of inspections; program analysis and appraisal. Subsequently as other functions are assigned, this paragraph may be modified on application to the Administrator.

The regional administrator shall recommend and the appropriate branch or division chief shall pass on employees to be assigned to such key posts by the Administrator.

Arthur C. Bartlett is designated Special Assistant to the Administrator to establish a system of communication to regional administrators, to clarify and reconcile any possible conflicts in instructions and to seek improvement in the operating efficiency of the field establishment.

An adjustment to a regional system of administration such as this memo contemplates cannot be made over night. As a consequence, it is desired that each question be disposed of as expeditiously as possible, and to assist in achieving that goal the regional administrators will be brought into a central meeting once monthly for the next several months at which time problems will be disposed of as promptly as possible and on a basis which will provide as uniform a pattern as is practical among all the regions.

The regions and headquarters for each follow, together with the regional administrator for each region:

Northeast: New England States, New York, New Jersey, Pennsylvania, Delaware, Maryland, West Virginia - headquarters at New York City - Buell Maben, Regional Administrator.

Southern: Kentucky, Tennessee, Virginia, North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi - headquarters at Atlanta - Col. James H. Palmer, Regional Administrator.

Southwest: Arkansas, Louisiana, Oklahoma, Texas - headquarters at Dallas - Lester J. Cappleman, Regional Administrator.

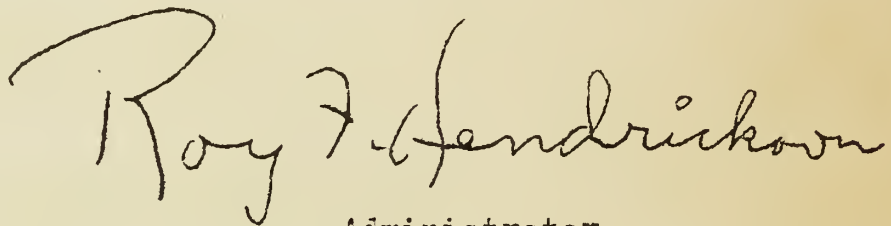
Rocky Mountain: New Mexico, Utah, Colorado, Wyoming, Montana, Idaho - headquarters at Denver - E. O. Mather, Regional Administrator.

Pacific: Washington, Oregon, California, Nevada, Arizona, Hawaii, Alaska - headquarters at San Francisco - Merritt A. Clevenger, Regional Administrator.

Midwest: North Dakota, South Dakota, Nebraska, Kansas, Missouri, Iowa, Minnesota - headquarters at Des Moines - effective September 24 J. S. Russell, Regional Administrator; September 1 to September 24 R. H. Mather, Acting Regional Administrator.

Great Lakes: Illinois, Indiana, Wisconsin, Michigan, Ohio - headquarters at Chicago - E. C. Pollock, Regional Administrator.

Puerto Rico and the Virgin Islands will be handled as a separate unit out of the Washington office. The head of this office will be announced subsequently.



Administrator

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Marketing Administration
Washington, D. C.

September 12, 1942

ADMINISTRATOR'S MEMORANDUM NO. 2

Supplement J

Establishment of, and Delegation of Authority for, Regional
Personnel, Administrative Services, and Fiscal Divisions

Administrator's Memorandum No. 2, Supplement I, establishing the regional organization of the Agricultural Marketing Administration provides that, effective September 15, the Regional Administrators will assume responsibility by appropriate delegation for functions in the administrative management field for their regions. The opportunities for effective administrative management in the regions as an adjunct to the total AMA program are great. It is the policy of the Administration to get this job done as close to where the work is being performed as possible.

The volume of work will vary from region to region, so that no hard and fast rules will be drawn for the number and grade of positions in each region. However, for the sake of uniformity and for adequate attention to management problems in each region there shall be established Personnel, Administrative Services, and Fiscal Divisions under the general direction of an Assistant to the Regional Administrator in charge of management.

Personnel

Authority is hereby delegated to the Regional Administrators to maintain a personnel service for all divisions and branches of the Administration which have offices within the physical boundaries of their respective regions.

All personnel files, records, and equipment which may at present be maintained in any of the various field offices of the Administration shall be placed at the disposal of the regional Personnel Division. In accordance with the provisions of Operational Instruction No. 7, the operating office will maintain only a skeleton record of the personnel in that particular office. The official personnel files, leave records, etc., will be maintained by the regional Personnel Division. Details of what records may be kept in the individual field office will be worked out between field office representatives and the regional Personnel Division.

The regional Personnel Division will have authority to deal directly concerning personnel matters with the appropriate persons in charge of the

various field offices, and in cooperation with such officers, is authorized to effect any personnel transactions which will contribute to improved personnel operations. The representative of the Agricultural Marketing Administration in charge of any field office should have authority to recommend to the regional Personnel Division that routine personnel actions be taken without prior approval of the Washington office of the appropriate branch or division.

The appointment of any person to a key position in any of the field offices will, of course, be submitted to the appropriate Washington branch or division for approval.

In order to expedite and improve the handling of personnel matters, the chief of each regional Personnel Division will be designated as a field employment officer with authority to consummate personnel transactions within limits permissible by law and Department regulations. The Regional Administrator and the Assistant to the Administrator will also be designated as field employment officers with authority to effectuate field personnel transactions. The authority so delegated under present limitations will enable the chief of the regional Personnel Division to make appointments, effect transfers, and approve promotions and separations for positions carrying salaries up to and including \$2300 per annum. This is in accordance with Secretary's Memorandum 603, Revised.

Additional responsibility will be lodged with the chief of each regional Personnel Division as rapidly as regulations permit.

Administrative Services

Authority is hereby delegated to the Regional Administrators to conduct the administrative services functions for all divisions and branches of the Administration which have offices in their regions. Chiefs of Administrative Services Divisions will procure space, supplies, equipment, and utilities services in their regions. Supplies will be secured through four regional warehouses located at New York, Chicago, San Francisco, Dallas, and through other designated warehouses. Regions not having supply warehouses will secure supplies from the regional warehouse through which it may most economically be done. Space will be secured in a region by issuance of invitations for bids upon specifications approved by the Administrative Services Division in Washington. Bids will be approved and contracts let in Washington for the present, but authority for approving bids for contracts under \$500 will be delegated when the regional offices are staffed to handle this work. Authority to negotiate contracts for securing utilities services will also be delegated subsequently. All requests for equipment will come to the Administrative Services Division in Washington because of the need for obtaining priorities. Duplication of regional documents will be done in the regions as much as possible and all distribution of regional documents will be handled through the regional office. All orders for printing and binding services will come to Washington because of the necessity for central approval. In unusual circumstances emergency printing and binding may be carried out in the field in conformance with

laws permitting such action and with the approval of the Administrative Services Division in Washington. Communications, messenger, and filing services will be maintained in the region in accordance with standards and recommendations established by the Administrative Services Division in Washington. Chiefs of the Administrative Services Divisions will maintain inventories of equipment and supplies located in the regional and field offices. Administrative service functions will be conducted in each region for all AMA activities in that region.

All personnel, records, files, and equipment now utilized in carrying out these activities in the present regions and field offices of AMA shall be transferred to the Regional Administrators. This transfer shall be worked out by the Assistants to the Regional Administrators in cooperation with the persons who are at present in charge of these activities in the field. These transfers shall be made on September 15, or as soon as possible thereafter.

Fiscal

Authority is hereby delegated to the Regional Administrators to conduct fiscal activities for the programs under their supervision, for such other programs in their regions as the Fiscal Branch in Washington shall determine. The regional Fiscal Divisions will be responsible for keeping accounts which will show the status of funds, including commitments, obligations, and balances. These accounts shall reflect both administrative and program expenditures, except for lend-lease program expenditures. (Lend-Lease accounts shall continue to be kept in the New York Program Accounting office.)

Regional Fiscal Divisions shall be responsible for assembling budget information and for reporting to the Regional Administrator on the status of allotments and expenditures. They shall also be responsible for preparing pay rolls and arranging for the distribution of all salary checks.

Regional Fiscal Divisions shall be responsible for all audit functions in their regions, including the accounts of AMA activities and the accounts of all agencies handling AMA funds. However, disbursements in connection with field activities which are now audited in the Washington office of the Fiscal Division will continue to be so audited. The present district audit offices will be consolidated with the regional Fiscal Division offices in all cases where, in the judgment of the Regional Administrator and the Chief of the Washington Fiscal Branch, this will contribute to the efficiency of the operations of the audit function in the region. As provided by law, the individual bonded certifying auditors have sole responsibility for all certifications for payment.

Standards for performing fiscal functions in the regions will be set by the Fiscal Branch in Washington to assure sufficient uniformity in the conduct of these activities. All personnel, records, files, and equipment now utilized in carrying out these activities in the present regions and field

offices of AMA shall be transferred to the Regional Administrators. This transfer shall be worked out by the Assistants to the Regional Administrators in cooperation with the persons who are at present in charge of these activities in the field. These transfers shall be effective on September 15, or as soon as possible thereafter, except that the allotments and accounts shall be transferred effective October 1, as provided in a separate memorandum.

Roy F. Hendrickson

Administrator

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Marketing Administration
Washington, D. C.

September 12, 1942

ADMINISTRATOR'S MEMORANDUM NO. 2

Supplement K

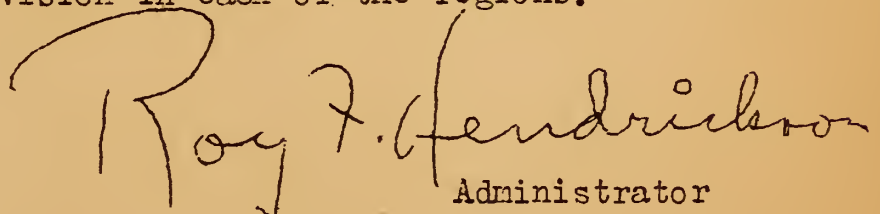
Delegation of Authority for Distribution Programs in the
Field to Regional Administrators

Effective September 15 the supervision and direction of the field activities of the Distribution Branch are assigned to the Regional Administrators pursuant to the provisions of Administrator's Memorandum No. 2, Supplement I. As of the above date the present regional boundaries are abolished and all personnel, properties, files, and records shall be transferred to the appropriate Regional Administrator. The division of personnel, property, files, and records shall be approved by both of the Regional Administrators affected in each case.

All duties, responsibilities, functions, and authorities previously exercised by the Regional Directors of the Distribution Branch in operating the school lunch, school milk, food stamp, and direct distribution programs in the field are hereby delegated to the Regional Administrators. These include, in addition to general administrative responsibility, the authority to execute sub-agreements under agreements executed by the Washington office of the branch with States regarding the operation of the programs; the authority to sign agreements in the name of the Administrator with sponsors of school milk programs; the authority to enforce the regulations of the stamp plan and as they apply to food dealers to issue orders and denials, to disallow payments to dealers presenting false claims, and to issue orders for reinstatement if the retailer has been out of the program 90 days or more.

The Regional Administrator shall conduct the distribution programs in accordance with such policy, methods and procedures as have been or may be prescribed by the Chief of the Distribution Branch. However, all significant changes in program policy shall be approved and announced by the Administrator. The Chief of the Distribution Branch shall provide for a continuing review of the program operations from the Washington office and may require such reports and records as he shall deem necessary.

The Chief of the Distribution Branch shall approve the designation of the Chief of a Distribution Division in each of the regions.


Administrator

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Marketing Administration
Washington, D. C.

September 12, 1942

ADMINISTRATOR'S MEMORANDUM NO. 2


Supplement I

Establishment of, and Delegation of Authority for, Regional
Marketing Reports Division

Administrator's Memorandum No. 2, Supplement I, establishing the regional organization of the Agricultural Marketing Administration provides that, effective September 15, the Regional Administrators will assume responsibility by appropriate delegation for the conduct of marketing reports and other informational activities in their regions. Therefore, these functions are hereby delegated to the Regional Administrators and shall be performed by a Division of Marketing Reports.

Under the general policy direction of the Marketing Reports Division in Washington and under the supervision of the Regional Administrator, the Chief of the Marketing Reports Division in each region will direct within the region a program of public reporting for AMA, including informing the public in general, and farmers, farm and trade organizations, marketing specialists, consumers and other governmental agencies in particular, of the policies, programs, and services of the Administration through current informational releases, special reports and other media. He will direct and coordinate within the region the issuance of current market news and other marketing reports of a regional or local nature, and the Victory Food Special program of encouraging the commercial movement of farm products that are in heavy supply. He will also maintain liaison with other Government informational agencies in the area.

In performing these functions, the Marketing Reports Division in the region will have the responsibility for reviewing and editing special reports, releases, prepared talks, radio scripts, and other materials designed for public dissemination, and for making determinations with respect to their preparation and publication. Likewise, all matters relating to the preparation of radio transcriptions, film strips, movies, exhibits and other visual aids, including arrangements for obtaining photographs from commercial concerns or other Federal agencies, and determinations as to the distribution of AMA publications and visual aids should be referred to and cleared by the Marketing Reports Division in the region. However, nothing in this supplement shall be construed as changing the provisions contained in Administrator's Memorandum No. 2, Supplements E and G, except that Regional Administrator shall be substituted for Regional Director.


Administrator

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Marketing Administration
Washington, D. C.

September 12, 1942

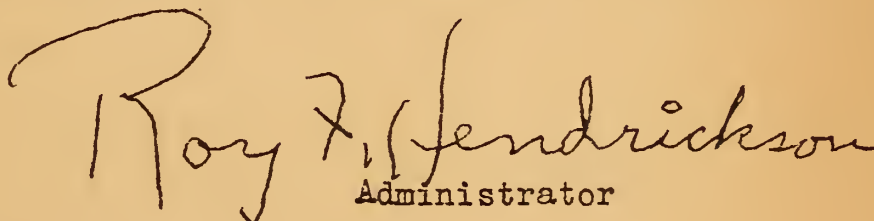
ADMINISTRATOR'S MEMORANDUM NO. 2

Supplement M

Establishment of, and Delegation of Authority for, Regional Program
Analysis and Appraisal Division

Administrator's Memorandum No. 2, Supplement I, establishing the regional organization of the Agricultural Marketing Administration, provides that, effective September 15, the Regional Administrators will assume responsibility by appropriate delegation for functions in the field of program analysis and appraisal. Therefore, these functions are hereby delegated to the Regional Administrators and shall be performed by a Division of Program Analysis and Appraisal.

In addition to the responsibility for analyzing the total marketing picture in the region and appraising the effectiveness of AMA programs concerned with the problems involved in that total regional marketing picture, this Division shall secure for the Regional Administrators information regarding the various commodities produced or processed in the region, including processing, transportation, and storage facilities. The Division will obtain this information either from primary sources in the field or from the appropriate branches in Washington and will carry out assignments from time to time for the Program Appraisal Division in Washington. This division will assume the functions formerly exercised by the Economic Analysis Section in the regional offices of the Distribution Branch.


Administrator

A.M.A. PROGRAMS AND REGIONAL ORGANIZATION

Roy F. Hendrickson, Administrator

I told someone I was going to talk four hours. I am not going to talk that long. Probably I will talk an hour and a half, then we can have some questions.

THE WAR PROBLEMS

Let's go back a little bit to the war time situation first of all. This is the kind of war the like of which we have never before known. Our frontiers in this war are the largest any country has ever had. We have men on every continent fighting on the sea in every ocean. This is global war. A great deal of our interest and fortune is tied up with other countries, particularly United Kingdom, U.S.S.R., Australia, and Canada in a way that makes it necessary that there be a great deal of interdependence. We are committed by a United Nations covenant to share and share alike.

Our estimates vary as to how long this war is going to last. Chances are it is going to be a very long war, and a difficult war in which impacts on the whole of agriculture are only beginning to come now. War does peculiar things to supplies of most things and one of the things it does is to produce shortages. It produces them, rather surprisingly, very quickly in some instances.

Buying for lend-lease up to the time of price ceilings was duck soup compared to the problems of shortage which are coming up now. The reason I was over at the Foods Requirements Committee meeting this morning was that A.M.A. is taking the initiative in the matter of handling the very serious meat problem. We are attempting to get through a scheme which I think is ultimately going to mean consumer rationing. All of this is going to be none too soon. No one would have dreamed of this situation in December 1941. When a group originated the idea at that time, - when pork was around \$6 on the hoof - that we would be short of pork, people in the Department were more or less amused and opposed. When the announcement of the Food for Freedom Campaign was made by the Secretary and it was realized that the Secretary was prepared to ask farmers to increase their production of pork, there was great resentment. Hogs were low in price and it appeared that the hog raiser was going to hurt himself by increasing the supply. But here we are, right now, facing a deficit as far as supplying the United Nations is concerned. We will have a shortage of about 20,000 tons of pork loins alone by the end of September. We are going to be short by more than 20 per cent of the volume of meat that consumers would buy at ceiling prices.

Now there are a few fundamental things that have been, or have to be, changed in this war administration policy. One is that we are not going to hesitate to ration. There has been some resistance in the Government toward that sort of thing. I think we have been too slow. I mention that because I think we are going to be short of other things in not too long a time. We are already short of fats, oils, meats and dairy products. You can't tell what we are going to be short of next and it's up to us to anticipate it. We have no business being optimistic about it. Shortages require

that new and additional steps be taken in the management of the whole problem of production, price, processing and distribution.

The problem is different from what it was in the last war. In that war, marketing work in the Department probably made its most substantial progress in a given period of time. There wasn't much of it before. A good deal of progress has been made but there is still a lot to be made, mostly in assisting with the management of supplies of farm products, their processing, storage, and shipment, and in the production problem, which is so closely related. Taking all this into account, it is apparent that this may be a very lively period in marketing expansion. There is going to be a lot of work to do - things we have not even thought of at the present time.

You cannot do a management job by issuing directives. We have already seen what is happening in the case of price ceilings. It is not the fault of O.P.A. that adequate administration has not caught up with policy making to date, but it is way behind - they are running into serious administrative problems, and have probably seen only the beginning.

OBJECTIVES IN FIELD ORGANIZATION

I have been talking only about the general situation to which you probably have given much thought. There is much about the future that is unknown and we may be hazy about the unknown. It is something at least though to be aware of the dangers, and even to be prepared for the unexpected. It seems to me that it is necessary for us to have ourselves better prepared all the time to execute those responsibilities we already have and to take on added responsibilities.

I am not saying this in a critical sense, but I think that what marketing program we have so far has tended to grow up a piece at a time. Each piece involved a good deal of specialization. You can run through many of the things and find that a function came along and the man who had something to do with its origin was placed in charge. We developed a good deal of the kind of structure, in A.M.S. and S.M.A. in which divisions are set up with our own field services. It is not all bad; some fine work has been done; many highly efficient operations have been accomplished. But the danger was that the function was tending all the time to become more and more specialized, to develop monopolies in a limited line; and sometimes there was reluctance to accept other responsibilities where receptivity to other functions and responsibilities was probably desirable. I am not saying that within the limitation of a specific job that sort of an organization is not as efficient as another. But on the other hand, we now are running increasingly into problems which cut across these various functions, problems which are not adequately covered or dealt with in any particular part of the organization.

We find first of all, that we are not organized structurally on a comparable basis with certain other organizations with which we have to have cross relationships - F.S.A. and A.A.A., for instance, where our relationships should be much closer. Unless the F.S.A. field official can find an A.M.A. person with a general function, he is pretty much out of luck in dealing with us in the field. He has to come up to Washington

and that is not good. This does not mean that Washington cannot handle the matter, but it does mean that a lot of valuable time is wasted.

We have a great many divisions out in the field and everyone is very careful that no one oversteps on someone else's job. We get non-leadership in a great many ways. We are not always fully aware of the real regional problems. We do not have broadly-conceived regional programs. We have been subjected to some criticism, and we are not properly defended out in the field where the criticism arises.

Our program as a whole is larger than it has ever been. Lend-lease and other things have doubled our problem. If we are going to assume increased responsibilities plus taking care of the relations that we must have with State institutions, Extension Service, Experiment Stations, O.D.T., and others, we need a better structure.

We have had some regionalization within various divisions and branches. In the case of the Distribution Branch, we have a very good deal of decentralization. Sometimes one wonders if there is not too much. I don't think there is too much, although the system of communication, reports, and controls probably does not always function perfectly. In the case of some of the commodity branches, there has been a limit to what they can do because most of them are spread quite thinly over new areas.

I do not know what some of our new marketing jobs of the future are going to be but I am certain that more management is required. That means intensifying many activities and being prepared to assume future responsibilities. I don't think we should ever be in a position to have to turn down responsibilities on the grounds that we do not have a field structure with people with sufficient responsibility and staff so that they can take it.

It is really remarkable how helpful good organization can be. For example, when the Bankhead Farm Credit Act was passed, providing \$35,000,000 for a year or two and then \$50,000,000 the third year, the Farm Security Administration took that in their stride by employing eight men in Washington and adding a man or two in various regions of the field but that job was taken right on because they had the structure to take it on. Now if they had not had that regional structure they would have added 80 or 90 men in Washington and they would have been thrown into confusion. As it was they took on the responsibility more quickly and satisfactorily, and that is the kind of position we should get ourselves into.

DELEGATIONS AND RESPONSIBILITY TO THE FIELD

Setting up of field organizations such as this involves a great many steps. You don't delegate in this work with a pitch fork. You have to delegate things carefully so that you know the thing can be done and so you know to whom you are delegating. Otherwise, delegations are always regretted. With more confidence being built up right along there will be less hesitancy in delegating.

Let us look at it from a standpoint of some of the activities in Washington. Does it mean that Washington people lose controls? I don't think so. I think that entirely too much time in Washington, instead of being concen-

trated on planning policies and providing leadership, has to be taken up on the kind of details which can be much more adequately and desirably handled in the field. For example, I find in personnel, that a tremendous number of things in that field come into Washington that have no business in here at all. That is true in the case of many other things. More things can be delegated, as soon as we have the structure and the people prepared to receive that kind of delegation.

Let us take up Distribution first. We are pretty well delegated on Distribution and functions now delegated to the four regional offices will be delegated as of September 15 to the seven regional offices of the A.M.A. as a whole. Let us take that particular situation and see what difference it makes. Charlie Kunkel continues to be the head of the Distribution Branch. How is his relationship changed? I do not think it changes very much so far as regional actions are concerned. Charlie will have the same relationship to regional administrators as he had to regional directors of Distribution Branch. Certainly they will be expected to abide by delegations and not to imagine that the delegations contain something that is not there. Charlie is the man we look to here for leadership in the distribution field.

Now let's take Section 32 direct purchases in the field. They are the so-called surplus purchases which have fallen off some. At the present time H. C. Albin has a number of purchase men in the field who go on assignments and who cover quite a bit of territory. The purchase plan is developed in the appropriate commodity branch. Price policies and purchases are intimately interwoven. We want price policy developed as a part of the plan. We look to the commodity branch to anticipate market situations, and people looking for help generally come to the commodity branches. They also come to Mr. Albin's people in the field. We look to Mr. Albin not only to keep the commodity branch aware of what is coming his way, but also to execute the program. Instead of through his own particular men, he will in the future execute it through the regional administrators. The Regional Administrators will not be able to do this personally. Sooner or later they will have a man or men who will be handling purchase and undoubtedly there will be informal relationships between Mr. Albin's men and the right hand man on this particular front for the regional administrator.

There is another problem on purchases too - what are we going to do with the stuff we buy? That is worked out between Kunkel and Albin and their subordinates. These subordinates will be able to delegate down to the regional offices many of the problems of that kind that come along.

Now let us get over to some other functions. We have no immediate plans in connection with some of these but we want to reach them ultimately and I think as people become acquainted and not too many mistakes are made then we will get in a position where more and more can be delegated.

Personally, I do not know if we should ever delegate in connection with Commodity Exchange Branch. I look to Mr. Mehl and Mr. Kitchen to study that one through. The Commodity Exchange Branch has never had an excessive amount of money or resources to meet and deal with its problems. It is hard to get that type of money. I do not see why, when properly manned, the regions can't begin to be of a good deal of use to Mr. Mehl in connection with his responsibilities. We should not try to chart the

blue print completely in advance. We have to go at it in an evolutionary way. Many of you fellows who are in the regional administrators jobs, in spite of your well known character and ability, do not care to have that sort of thing thrown at you like a big medicine ball without a little notice of its coming. I do not think that will happen.

Now we can go over the Transportation and Warehousing Branch that Jim Crow heads up. I think I know Jim Crow well enough to know that he is the kind of fellow who goes ahead and tries to get other people to do a lot of work for him. He usually has ideas and plans pretty well ahead of the resources available to carry them out. Jim Crow will always be short of administrative money. So the first thing you know Jim will have a lot of things he will be asking regional people to start doing. They can take on the jobs without asking for any more people and without any additional cost.

Let us look at some of the commodity branches. Commodity branches have a combination of responsibilities. The Livestock Branch, for example, is administering a very wide variety of things. One of them, the Packers and Stockyard Act, is a good deal like Commodity Exchange Branch functions. It is highly specialized work in many ways. Still we ought to have in the regional office someone who really knows the regulatory field, who can make adjustments and who has the ability to assume responsibilities in this field. Harry Reed is also always going to be short of administrative money for regulatory work. The principal of delegation is very good if it can be worked out in that kind of case. I have hardly talked with Harry about it.

Another type of program involves the Marketing Agreements and Orders. The Agreements vary a good deal in nature. I do not know yet how far regional administrators will go in supervising these agreements. We do expect the regional administrator to exert leadership in this field, especially in initiating sound programs.

Some of the best leadership this world gets is not done by signing any papers or giving any particular orders. It is obtained by getting people together and letting them see what the problems are. Most people, you know, are pretty rational and can be trusted to have pretty good judgement, assuming that the same general knowledge becomes available to them.

The job of leadership takes some surprising forms. I once went through the Goodrich plant at Akron and found the vice-president in charge of production out in the shop among the men. The shop had about 5,000 people with a foreman in charge, on the average, of every 15 or 18. This vice-president in charge of production saw every one of those foremen every day. They didn't come to see him. He spent half of his day going through that plant. He put himself in a position where every single foreman had a crack at him every day. They could never gripe that they couldn't get any attention if they had a breakdown or shortage in material. He did not wait for them to come up to him. He went out and met them. Now that's one type of supervisory leadership. This man believed in the face-to-face contact method. There are others who argue that you should very rarely have more than 6 to 10 people reporting to you. The other day I talked to Henry Kaiser who is quite an executive and who is receiving a good deal of attention right now. I asked him how many reported to him. Never more than 6. The 6 could bring in others to help them if they wanted but he

k^f never has more than 6 reporting to him. Having only 6 he can go into considerable detail into a particular problem. He doesn't do any running around. I think probably the fellow in Akron will live longer than Kaiser because he's more active and keeps in good condition. I know one thing - the fellow in Akron at that time had one of the very best records in labor relations.

There you have two kinds of approaches and methods and there are half dozen others. People in regions should look to the regional administrators for many things, including help, guidance, assistance and so on. The late Mr. Silcox, Chief of the Forest Service always used to say that you should always have a man around to be a weeping post and he preferred that it not be the head man. The weeping post is, as a matter of fact, elected, though no one knows about it. There is always somebody that people tend to go to with their gripes, and he is the logical selectee. I am not urging that regional administrators become weeping posts, but I certainly don't think they should push anybody back on that. When Silcox discussed the weeping post he was thinking more of those situations in which people have very small grievances which if not given air and ventilation at a fairly early point begin to fester and grow into all sorts of maladjustments. Many a good man has been ruined by a series of small grievances which build up in one direction or another. There are also larger issues in which people have to look for somebody and they like a face-to-face relationship. That is one of the strongest arguments I know of for regional administration.

I once met a fellow in the Weather Bureau in Texas who had never been in Washington, he had never gone to New Orleans, he had been up to Dallas once. He had seen only one man from Washington and that had been five years before. His entire contact with Washington was on the basis of letters and of course at that time the Weather Bureau ran roughly 45 days behind in replying to letters so he had to go quite a little while between inspirations. Of all the agencies which were running down hill fast none quite ever held the candle to the Weather Bureau and a good deal of the difficulty went back to exactly that kind of situation. There were a lot of things their scientists in Washington were digging out that the field men never heard of. The field men might read about it in the papers but nobody from the home office had time to inform them about it. They had an interesting habit in the Weather Bureau at that time which has since been corrected. They had a very fine old lady there in charge of incoming mail directions. She always read every bit of mail and put a slip on each piece. Some part might refer to water and she put it through hydraulics. Sometimes she had down as many as 35 people who should see a letter but no instructions to prepare a reply. All 35 studied the letter but no one got the idea of making a reply. The letters went around and came back to her and then she had to get somebody to finally dictate a reply. The Weather Bureau, is no longer a part of the Department and has had a complete rejuvenation.

There is no magic to organization charts and when you get right down to working anything out, there isn't any substitute for good people and for good communication systems. I want to turn to that communication system a little bit because we always have a lot of trouble with it.

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Most education is communication. Certainly there is decision making and all the rest but the main thing that is needed in effective quick handling is a good communication system. The regional meetings I spoke of - one each month to be held in Washington for the next few months - are really a part of a temporary communication system which can be supplemented and improved upon as time goes on.

There is another kind of communication problem that we have here. For example, Mr. Kunkel and Mr. Albin are going to give you orders and now and then some of us in the front office may have some idea. There is a possibility of conflict.

Farm Security Administration went through all of that. Originally, they set up the Washington office with men in charge of each function. Then regional offices were set up in the same way. Each Washington man picked his man Friday for the regional job and before long the regional director found that John Jones from Washington was sending the dope right out to his men Fridays and there were conflicts. The regional director thought he might offer his services as referee. Then it was decided that he ought to run the organization.

We are going to have somebody assigned to the job here of preventing conflicting orders or instructions. At the very beginning any regional man having such a conflict should report it by long distance within 15 minutes after he has discovered it. It sounds expensive but that is what he ought to do at the beginning. Arthur Bartlett is the man to call. His job won't be to tell Kunkel or Albin what to do but to get them together and reconcile any differences they might have. These people are pretty reasonable. It's a little harder to get them together if you deal through their subordinates but if you get the head men together it goes pretty fast. Unless we take care of that it looks like a fundamental difficulty in our organization.

There are these four things, then, that the regional administrator has to be responsible for immediately:

1. Leadership;
2. Distribution Branch functions in the field;
3. Get this Section 32 business in hand;
4. Administrative services and personnel or business management or combination of same.

One or two thoughts on the administrative service and personnel, because that is a problem of detail that you mustn't get bogged down in. There is a lot of painful activity carried on in that field with which you should not get yourselves tied up too much. First of all, be sure you have a good man heading that kind of work for you. Get a man who can get stuff moved and who isn't going to be a fuss budget about it. He shouldn't be careless. I think that you ought to remember that you have a service function for others because there are certain areas in which you have no direct responsibility. I don't think you should be hiring people or promoting them, particularly people above a certain grade, without consulting the Washington Branch or Division head first. If he says no, you ought to stop. If you think that is seriously wrong, you can appeal.

When it comes to personnel actions, we are limited to some extent in delegations by requirements of the Office of Personnel. Everything that the Office of Personnel will permit us to redelegate we are going to redelegate, with the understanding that when it comes to key positions or anything like that you consult the right man or see that your proper subordinate consults him.

On space, let us try to get the A.M.A. activities together in a town or city where the regional headquarters may be, as much as possible, but let's not get too insistent upon this. You cannot bring cattle down to the city hall. In other words, there are some lines of activity on which our men will have to stay close to their work.

I want to mention our relationships with and to the State War Boards, Extension Service and State Departments of Agriculture. Our policy is to work with them always. It is our policy not to be out fighting on jurisdictional or other grounds, but to do whatever we can to expedite the work. There isn't any reason why we shouldn't have good relationship with both the Extension Service and the State Boards and Departments, although it isn't too easy in some cases.

As for the State War Boards, in setting them up the Secretary, was looking for a way whereby he could get something done quickly out in the field. He could have set up a completely new organization but the money was not available. He could have turned the job over to the Extension Service in some States and in some States not. The A.A.A. did have an organization and, probably more important there was a way of tapping their rather ample funds to carry on a good deal of the administrative work. So State A.A.A. Chairmen and county Chairmen were asked to serve as heads of State and County War Boards. The Boards have been carrying on a great deal of work. In some places we have been weakly represented. We have put quite a few milk administrators who are good fellows and well informed about milk but who do not have current exposures to many other problems. The War Board activity is an important part of your responsibility. Let me point out an experience that Tom Stitts and I had on cheese. In Wisconsin, during May, June and early July, they became very much excited that they were overproducing cheese and that the storage facilities were full. We, from a standpoint of public relations, were getting an unnecessary black eye. The whole thing led to a meeting which Tom and I attended with the State War Board people. We gave them as complete and frank a background of the whole situation as possible. From everything that I could figure out they were alarmed because they didn't have current information. They didn't understand that we were going to ship our cheese later on in the year. They didn't know that we were going to take steps to deal with the number 2 cheese problem. I don't know that we can keep you 100% informed; we will never be perfect in communication. Great distances separate us; you will be busy and we will be busy. We will have the same gripe about you that you are not keeping us informed.

The matter of relationship to State War Boards is extremely important. I think you ought to have an assistant on your staff who is assigned the job of following up on this State War Board assignment - not a fellow who just attends meetings and listens, but a fellow who can go out and give encouragement.

One more thing I want to mention - decentralization of inspection work. That is pretty difficult to decentralize - still, not impossible. Washington certainly is going to have to take final responsibility for standards and for getting money, although there might be some help on that once in a while. That is another story and another time. A lot of consideration has been given many times to the possibility of making many of the inspectors more versatile. That is the business for the Commodity Branches to work and deal with.

You ought to take a little recess. Then let's come back and start having questions.

REGIONALIZATION

Ralph W. Olmstead, Assistant Administrator

You can see here a set of maps, one for each region. What has been attempted is to show you in geographical form what you are inheriting in the nature of a regional outline of the territory covered, with indications on the map as to where each office is located. Take, for example, this one of the Northeast Region. The map indicates every point where an office is located. Like everything else done at staff level, this map was drawn from information available here. Consequently, it has some mistakes on it; I don't know what the mistakes are but I just assume it has some mistakes on it; but whether these offices are properly located or not, they'll at least provide you with a clue. I am sure that if you go to the point indicated on the map where an office is located, you will find that at least sometime in the last fifteen or twenty years there has been an office there, and no doubt through the post office you can find where it is now located.

There is considerable disparity among the Regions. I should like to deal first with the statistical matters of personnel. In the Northeast Region, as it is known, we have 1,350 employees. Broken down in the various branches and divisions, there are:

- 191 in Fruits and Vegetable Branch
- 74 in Dairy and Poultry
- 410 in the Distribution Branch
- 76 in Grain, Feed and Seed
- 116 in Livestock
- 108 in the Investigation Division
- 4 in the Marketing Reports Division
- 192 in the Purchase Branch
- 19 in the Administrative Services
- 51 in Audit, and
- 31 in Budget and Accounting.

Those people, as your map will indicate, are pretty well scattered over the entire area, with two big concentration points at Philadelphia and New York City. As the Administrator's memorandum has indicated, one of the first things the Regional Administrator in that Region will want to do is to find out what he has. I often times find, that as I walk down the hall here in the South Building, particularly on another floor, I get into strange and unfamiliar territory. I see things that surprise me. I see assets of AMA that one would never suspect unless he visited them, and the same is probably true of you and your regions. Now, I don't expect you will want me to indicate the number of people in each branch and service division in each of the Regions. That is easy enough to find, but operating on the basis of totals -

The Southern Region has	676	people at the present time
" South Western	" 674	
" Mountain	" 120	
" Pacific	" 806	
" Mid Western	" 648	
" Great Lakes	" 1,208	

One of the first things that impresses us is that - on the face of it - something is wrong with the Regionalization. If you have as many as 1,350 people in one Region and 120 in another, that does not indicate a very good distribution of personnel or function. I suspect that as you become familiar with your functions, you will find that a good many of these 806 people from San Francisco and surrounding parts are doing business in the Rocky Mountain States. They may be, they may not, but chances are they sometimes are. Chances are that the Mountain Region is understaffed; chances are some of the other Regions are overstaffed. There is no way to divide the country into seven regions so that you get exact uniformity, any more than you can select seven states where you get complete uniformity. On that point, I should like to mention the fact that the State of New York has 10% of the population and has been receiving slightly over 14% of the funds, the funds available, I mean, under the Distribution Branch Program. That indicates, perhaps, that we have proceeded a little bit on the old theory that the rich get the "gravy" and so on. A more plausible reason is - New York is vocal. That is probably why New York has gotten as much as it has - it makes its views known.

Now, if I may, I should like to indicate a little of the theory of this organization, a theory which may be tossed out the window at any time, but it is a theory on which some of us have proceeded. Operations in a democratic government are somewhat influenced, and to some extent, directed by pressure - pressure from pressure groups. There are a good many organizations in the Department and elsewhere who have tried to eliminate that. They have said, "We are going to pay no attention whatever to pressure" but they do. This organization of the AMA, the Field part of it, cannot be separated from the Washington part. It recognizes that we deal with the public and the public is pretty vocal; and the public is going to make demands; and that is recognized as pressure. We have a series of Commodity Branches. Those Commodity Branches have the responsibility for knowing everything there is to know (with one or two minor exceptions) about the commodities they are handling. They are, in a sense, on AMA's Pressure Group, commodity pressure group. But, they don't do the purchasing, they don't do the distribution. We have a Purchase Branch and a Distribution Branch which have special interests and they sometimes might be suspected of applying functional pressure. To cite only two examples it is not efficient to buy in less than carload lots. From the standpoint of distribution, it is not efficient at the present time to buy only surpluses because it does not make a good school lunch, a balanced diet for the recipients of relief. To take a specific example, we often times find that in the case of a commodity such as eggs, that there must be a compromise somewhere between the Purchase agency as a branch of operation, and the necessity of handling the commodity as reflected by the Dairy and Poultry Branch. I don't suppose it is justified, in a narrow sense, to buy less than in carload lots, but AMA is buying in lots of ten cases of eggs in the South. That represents, a compromise between the functional interest as represented by the Purchase Branch and the Commodity interest as represented by the Dairy and Poultry Branch. All over the lot programs represent that kind of compromise.

Now, we go to the Field, and set up a series of regions. On the West Coast, a very large proportion of the Dried Fruit specialty crop of the United States is concentrated. Whether those people should be left to exercise whatever interests they can exercise through the heads of the Commodity Branches and through the heads of Functional Branches, or

whether they should be frankly recognized as a region of the United States with roughly paralleled interests represents a fairly good problem in the Administration. I think and I know there are some of you who agree that Mr. Clevenger out on the West Coast will become in time the spokesman for that set of interests on the West Coast who constitute a pretty important part of the American Public. Clevenger is a man of level head and careful thought, but even so, he might sometime, under the pressure of work, tend to over-emphasize some of the problems out there. If so, he will be diluted, slightly at least, by the Purchase Branch, or by the Distribution Branch and the Commodity Branch affected. That general theory of organization, to my mind, is that all the activities of AMA which merit it will be channeled up to the Administrator in such a way that he gets a balance. He gets a balance which represents geography - politics - economics; and if he gets a balanced consideration reaching him, then the determination of policy is effected by one factor only. That is the Administrator's good judgment. And I think that is the aim of good organization. In these Regions, you will find, I think, that there is not a complete concentration of a commodity or interest in any one Region. In other words, the Administrator of the Southern Region, is not going to be the only fellow concerned with cotton. There is some cotton elsewhere. There is some in the Southwest and the Pacific Region. By way of contrast, and without a sense of criticism, you will find in other Federal Organizations a single region dominated by a single commodity. It concentrates a little too much in one place. It then becomes a question of whether the Administration directs the Region or whether the Region directs the over-all Administration. That is one of the problems that I think has been avoided in the AMA.

The Administrator's Memorandum indicated what functions would and what functions would not, immediately be regionalized. All functions don't exist in all regions. One of the commodity branches of the AMA is Tobacco - another is Cotton. We would have trouble putting cotton people in the Mid West States. At least there will be none there to start with. Some of the other functions like Milk in the Northeast, will not be paralleled in other regions, at least not in quantity. I think we have Marketing Agreements on milk in a great many places, in the country. At least somebody told me that; I have never heard anything about milk except from New York. The Regional Man who goes to New York City is going to become immediately and intensively, and with some anguish, aware of the Milk Marketing Agreements.

Milk Marketing Agreements are handled at the present time by the Dairy and Poultry Branch of the AMA through Milk Marketing Administrators who are appointed by the Administrator and supervised by the Dairy and Poultry Branch. Under this memorandum, they will continue to operate this way for the time being. It may eventually be desirable to put all Marketing Administrators of milk, say, in the Northeast, under the Regional Administrator for that area. Maybe, I am not sure.

Then you have another kind of Marketing Agreement with which I am sure Mr. Clevenger has become thoroughly familiar - Fruits and Vegetables. They are handled somewhat differently. They are proceeding on the theory that the Government is lending them the power to regulate themselves. But once having commanded power, they want to keep it, then return it when they are through with it. It may be eventually that the Pacific Region can show a great justification for concentrating power over fruit and vegetable

Marketing Agreements in the Regional Administrator. We don't know. That is something to be developed.

The Commodity Exchange Branch in its entirety does not meet the Regional Organization pattern. But just the same, those functions performed in market centers tend to spread their effect throughout the entire country. The regulations of packers in stock yards and the Marketing Agreements on milk are sufficiently close together to warrant every organizational effort to integrate them into one big Marketing Program which has for its objective the proper handling of farm commodities from the time they leave the farm until they reach the ultimate consumers.

I think represented here are practically all of the divisions. AMA has a set of Service Divisions -

Budget & Accounting - W. B. Robertson, Chief
Audit - D. J. Harrill
Marketing Reports - A. C. Bartlett
Personnel - headed by F. C. McMillen
Investigations - W. H. Dugan
Administrative Services - F. J. Hughes
Consumer's Council Division - Don Montgomery

One of the first things we are going to try to do in these regions is to decentralize the handling of Administrative functions completely; and if you will indulge me just one more comment, bordering on the philosophical - whether or not the handling of Personnel, of Budget & Accounting, or Administrative Services or Investigation is decentralized or not depends entirely on attitude. It does not matter how many people we put in San Francisco who process papers, or who shuffle accounts, we are not really going to be successful in decentralizing unless we have a decentralization attitude here. That attitude can probably best be described by the parallel of the courts. I read somewhere in the dusty tome when I was going to law school that one of the earliest problems the courts had was to figure out a procedure to get someone to move. Plaintiff would come in to say the defendant did something and the defendant would come in and say he did not. What did they do then? Well, originally they put them in the lists and had them fight it out. Then they started taking evidence which we call the burden of proof. That is precisely what we have in Administrative Services or Personnel or Budget & Accounting. The burden of proof is really the burden of proceeding; somebody's got to move. It is the defendant's move or the plaintiff's move.

Now, in the past, I have seen an attitude in the handling of personnel and similar actions, the nature of which was the man in the field, operating either through or for the responsible field official would propose and when it reached the thin air of the staff division in Washington, it was looked upon as wrong until it was proven right. One of the first things we are going to try to do in AMA is to reverse this, that is to say, the Regional Administrator, operating through his Personnel Officer, will make a recommendation. That recommendation ought to be right unless it can be proven wrong. That ought to be the case - I think it will be the case - because I am sure that the heads of our service divisions want it to be the case. But the action - now - is going to be up to you. It is not going to be up to somebody back here to look at a paper record, the completeness of

WILLIAM CARSON (PERSONNEL DIVISION): I think the plan is certainly welcome so far as personnel in Washington is concerned. It will allow in Washington more time to give attention to things which are determined outside the Bureau in the way of personnel administration such as over-all policies; there are other places where personnel policy generally is being shaped. It should give us a chance to devote more attention to getting things fully explained; to work with the field but to let the field do the actual operations.

MR. BARTLETT: Well, the field information has not only been decentralized, it has gone off in all directions in the past, and I think this would be a great improvement.

OLMSTEAD: Mr. Otie Reed has been head for some weeks of the Program Appraisal Division. Mr. Reed and his associates here, are the fellows who look with a jauntered eye upon the program, and tell you that you are or are not serving the public interest. He is the only man in the place who always looks back, no one else ever looks back. We set out to do something which we thought at the time was a good idea, and sometime later on Mr. Reed is going to come along and say what he thinks. Do you care to comment on it?

MR. REED: I don't have much to say at the present time but I am trying to find out really what we could do in the Program Appraisal Division. We would like to point out that the word is "Appraise", and not particularly "Praise".

FRED HUGHES (ADMINISTRATIVE SERVICES): I feel this way about decentralization - we can be most effective if we get the most paper work out of Washington. Administrative Services has done much along that line. If we can get the right kind of man in the Field who can take the authority, a lot can be handled much more quickly in the Field than it can be here. We can cut down quite a bit on the delay of getting necessary equipment, which I very much favor, and I have received thorough cooperation from the different Regions.

OLMSTEAD: There is one Service function with respect to this and other agencies which outgrow us. That is the function of keeping out of jail, that is, staying within the law. That function is performed on a Departmental basis by the Solicitor's Office. A certain segment of the Solicitor's Office handles the legal work of AMA. I would like to make sure that you all meet and hear a few remarks by Mr. Ashley Sellers.

MR. ASHLEY SELLERS: I think that I would much prefer to come before you a little later on in the week. My purpose of being here, which I hope to do often in the next two or three days, is to learn as much as I can of what this decentralization means in terms of how we can most effectively serve you. I will speak of that on Friday.

OLMSTEAD: In discussing a matter of service functions, reference has been made to uniformity. Uniformity does not just happen. We have a proposal which has already been advanced to several of you which I should like to advance to all of you - that there are here in AMA several young men who worked formerly in the Office of Personnel and on the organizational and management problems. They have made a study of the organization; they have come to know how to perform advisory organizational work as a service. I should like to say at this time that that unit, headed by Jimmy Hoofnagle - has ever since last fall - had considerable activity in organizing work of

AMA here in Washington. It is now proposed and has been approved as far as AMA is concerned that when you Regional Administrators go to Regions - we will make available to each of you a couple of these men if you want them. Their job will be to help you organize your Regional Office. Do you have any comment on that, Jimmy?

MR. HOOFNAGLE: Practically everybody in the organization unit has been with us since AMA was organized out of three former agencies. Most of the fellows know the Washington organization very well and should be able to make a contribution to regional organization. I think the information, experience and problems met in working on the Washington organizations will enable us to assist the regional Administrators' pattern of organization.

HARRILL: If the work of the Service Division breaks down in the Regional Office, whose responsibility is it?

OLMSTEAD: The Regional Administrators'.

HARRILL: Does the Chief in Washington have any responsibility in that direction?

OLMSTEAD: Sure. The Regional Chief has practically the same responsibility in that Division that Charles Kunkel will have in distribution. If Distribution breaks down in the Pacific Region, who is responsible? Well, Mr. Clevenger first, Mr. Kunkel second and the Administrator third. I prefer to look at it as a concurrent responsibility of the whole bunch of them.

MR HUGHES: We will locate one in Chicago, one in San Francisco, one at New York, and one at Dallas, but it is possible that as soon as we get some further developments that we will want to locate some more.

COL. PALMER: Where will we be supplied from?

MR. HUGHES: Probably Atlanta will be supplied from two points. We are working on that right now, that is, on the shipping end of it, and the rates. The men are working on it right now to see where we can handle it best.

CAPT. OLMSTEAD: In the case of Service activities, therefore, it is important that they first of all be decentralized and placed under the Regional Administrator. With respect to functional activities of AMA, it is a somewhat different situation. We have some activities that are closely related to the Regional Administrators - they are living under the same roof. There are others which are more distantly related and there are still others which probably are not even naturalized in terms of regionalization as yet. That is a problem which is going to take some time, as the Administrator told you earlier in his draft memorandum. Certain activities will be Regionalized. Other activities will not immediately be Regionalized - some may never be Regionalized. The major part of it probably will, if you have the Administrative devices with which to weld the region. All the personnel in the Region will be handled by the Regional Personnel Officer. It does not make any difference whether the control of this personnel has been decentralized or not. Let us, for example, say that Mr. Gage has some inspectors. Do you have some inspectors?

GAGE: Yes, It appears that most of our activities are confined to the area which includes Kentucky, Tennessee, and so on. We have one inspection operation that lasts about two and a half months - out in Northwest Missouri. We want it out there. We have one or two little inspection jobs across the Ohio River in Ohio and Indiana.

OLMSTEAD: That is a very good case. This group of people, probably on a functional basis, will be reporting as they do now, to the Chief of the Branch here in Washington - for a while anyway - I don't know how long. The question might then logically arise when one of these men is to be promoted - who handles the action? In that case the personnel officer in that region will handle the action.

The only thing the Personnel Office does with respect to personnel aside from the physical handling of papers is to establish uniform standards. It may be that the supervisor of these Tobacco Inspectors will want to promote the whole bunch of them. It may be that for budgetary, or Civil Service or other reasons they cannot all be promoted. Recommendation will come from the supervisor.

One major segment of this morning's discussion is to, in terms of organization, run through the Administration very briefly to indicate what can and what cannot be done. To give you a very brief exposure to the Branch problem, I would like to start with Charles Kunkel because he is very much decentralized.

KUNKEL: I would say our functions are now entirely decentralized. They'll just have to be adjusted to the seven regions instead of four.

OLMSTEAD: There won't be any problem with regard to Distribution. Mr. Albin had to leave. Do you want to comment on Purchase, Mr. Peyton?

MR. PEYTON: Only the purchases under Section 32 will be decentralized, and already are. Lend-Lease will still be handled here.

OLMSTEAD: There are some other Branches that do not specialize in commodities, such as Commodity Exchange Branch. Well, Mr. Mehl?

MR. MEHL: On the question of decentralization - there is no room in my mind for argument. I am thinking of the actualities of work, and in our case, it is something more than a theory. I felt for a long time that the extent of work, spade work really, should be done as closely to its source as possible, so for the past two years we have been pushing to the field a lot of work that was done formerly in Washington, such as handling of reports, I feel that the Washington functions of Bureaus and Branches should be devoted to policy making and program development. While theoretically the heads of branches could get away from personnel matters, they do add up enormously in the end. In fact, it is almost impossible to get away from them, but we have made a start in that direction. We have been aided by Congress to some extent - in reduction of appropriation - but nevertheless, it has been according to plan. We did not want to make a definite commitment about everything that is being done in the Commodity Exchange Branch to be set into the Regional scheme of organization, but I will say at this time that I think it will fit in very well.

OLMSTEAD: Transportation and warehousing is the other Branch that does not specialize in commodities. Mr. Crow.

MR. CROW: We have transportation work in the Branch - but it does not break down into Regional offices. Warehouse work is broken down into nine field offices. It is an interesting thing about those. That is, that we have about three or four of our Field Offices in one of these Regions. The Field Offices in the area depend on the volume of business that we have to do in the particular areas.

The other thing I want to emphasize if this. As far as the housekeeping functions are concerned, I don't care how many of them are dumped in the Regional Administrator's lap. If they are able to handle it or not in a Regionalized way in Washington does not concern me. The thing that I am interested in getting out of the Regions is some analysis of transportation and storage and market facilities problems in the Regions, to know whether the program that we have fills the bill. If it does not fill the bill, I want to find out what is wrong with it, and how we can do a better job about what lies ahead of us. This work has to be done. I am very much concerned about how we can develop a real program in your region and how we can make our transportation work and market work tie in with certain things the Commodity Branches are doing, so that we have a program integrated with the work that the states are doing in the colleges. The housekeeping part of it I will let Fred worry about. Whether it is done through the Washington Office or in Regional Office, I don't care. That, in a brief way, is how I feel about it.

OLMSTEAD: Mr. Smith - Fruits and Vegetables.

MR. SMITH: There are a whole series of questions which I have not yet gotten the answer to. To talk about Fruits and Vegetables as representing two commodities, is wrong. It is obvious, of course, that there is a multiplicity of individual commodities under each one of those brackets and they are grown in practically every state in the Union. So, even though under the highly centralized control of Administration which has been the case thus far, I think the records will show that there has been considerable difficulty in establishing a uniform method, which is the problem in the Fruit and Vegetable Field. Aside from the moving of commodities, you have a multiplicity of functions which vary in their degree of complexity by States and Regions. You have the Regulatory work - it has its peculiar problems, Market News work, and lastly the work of our Market Programs Branch, in that branch which has centered in it the responsibility for all the action programs in the fruit and vegetable field. As far as the Inspection, Standardization, Market News, and Regulatory work is concerned, a certain amount of decentralization has been effected in the past. We have given considerable thought to further decentralization. The real problem comes up in my mind with respect to initiation and development of action programs and I think we all need to give a lot of serious thought to that phase of the work. That is the main thesis of my comment.

OLMSTEAD: I want to make one more comment if I might. In my mind the development of marketing work for Fruits and Vegetables is a real challenge for AMA. I think that we all can keep foremost in our minds that there is more work for everyone to do than we will have time and energy for.

OLMSTEAD: Mr. Robinson.

MR. ROBINSON: I think that as far as this idea of Regionalization is concerned that a great deal of the success of a plan of this sort is going to depend a lot on how well the people in Washington cooperate and attempt to get the job done with the Regional Administrators. I have been looking around these gentlemen and they look to me like a very intelligent group of people, and I suspect that much of the Service of Regulatory work they know nothing about yet, but I believe that they can learn the Service and Regulatory work - and give them time - regardless of what some of us in Washington may think. We will be pushing work out on some of them regularly and before they know it, they will be doing all the work in the Field. As far as I am personally concerned, I would like very much to push out our work into the Field. I would be the last one to object to the idea of delegation, because three years ago we had consolidated all of our work into the Regional Offices of the United States. There are a few details that have to be worked out. Our funds are limited on which we operate in this Administration, and we cannot go beyond them. We have about 2,000 temporary employees each year. I am thinking how it will be handled in various regions and we are going to watch pretty closely to see that one man does not hire all the men and take the money away from some of the others. Those are all details that can be worked out. I want to say that our Branch will cooperate and will do everything possible to make this plan work. I would like to have an opportunity to talk with each Regional man before he goes away.

OLMSTEAD: Mr. Gage.

MR. GAGE: Most of the questions that arise in my mind follow up what Rob has said. I hope that the Regional Directors find that we also show some signs of having some intelligence. Most of the questions that arose in my mind have been answered. There are some questions, we have not gone into and will effect possibly some of the commodity branches. Fortunately, those Regional Districts show almost completely in the southeast region. One of them is the Burley District, another Mexico, Kentucky. It goes down into North Carolina, Virginia, West Virginia and Indiana, Ohio, and there is one little market up in Missouri. The Directional Control for the Burley District is vested in the supervisor of that District located in Mexico. The actual management of the Inspection Force will continue at least for the time being, in the hands of the supervisor of that District, and the Regional area will be primarily concerned with the Service Sections in their entire program. I think the Regional plan is going to work out all right as far as my branch is concerned.

OLMSTEAD: Mr. Pollock.

POLLOCK: I have given quite a little bit of thought to this thing from the standpoint of Regionalization and I feel this way - that we have sort of grown up in the Department. We have had service added upon service for the last several years and some of our organizations are pretty well complicated. This question of Regionalization as far as the Grain, Feed, and Seed Branch is concerned is not a new thing. We have moved a great many services to the Field. I think we have about 40 people in Washington out of about 350. The policy has been to have District Supervisors, in a small way corresponding with the Regions now set up. We look to those

people to handle our current operations, to furnish information to Washington, and to advise in the formation of policy. It has been a joint operation in that respect. As for this new idea of setting up seven regions. I think it has great possibilities if the Regional Administrators and the Branch and Division heads in Washington will take things easy and not try to jump into the set-up too rapidly. I have been around a good many years. I have seen seven or eight years in the Field, and I have had several years experience here in Washington, and I think I could tell some of the Regional Administrators what they are going to be up against. I know there is some fear in the minds of some of the Branch leaders as to what might happen under this set-up. I firmly believe that each of the Regional Administrators should be sure of his actions, and if he will look into the program very carefully before he decides, to work, and with a complete understanding with the Branch heads, we will be able to work this thing out in a very satisfactory manner. I am not going to get excited and do a lot of things without you fellows knowing about it and advising with me. Personally, I am going to depend upon the Branch heads to help me work out a satisfactory program. I want you to visit me a lot and I want to visit you. I want your help because, to me the success of this thing is going to depend on our ability to work out an efficient operating service that can be run at the lowest cost. I think that is really our aim - to give better service to Agriculture and do it at the lowest possible cost.

OLMSTEAD: Anybody else want to comment on this? I think all the Commodity Branches that are here have spoken.

POLLOCK: I would like to add one more statement. The Grain, Feed and Seed Branch has a great many services which you will learn about later on. I believe that we have several offices in all the Regions. For example, the San Francisco Office handles Federal Grain Supervision, the supervision of hay inspection, and the supervision of rice inspection. They do a lot of seed work and you will find a similar arrangement in a great many of the other points. It seems to me it would be very helpful to the men who go out into the Field to have a list of the Field Offices in each region and the name of the person in charge, the number of personnel, and the Services that come under each of those offices. That would be awfully helpful to you in your preliminary studies. I have already been furnished that information by our Distribution Branch. and it has been very helpful to me.

HOOFNAGLE: The charts do show the location of each office and the amount of floor space. Lists are being made up of the people in each office, the services performed, etc.

OLMSTEAD: Anyone else like to comment?

KUNKEL: Ralph, you made a point a little while ago about the Distribution Branch lacking uniformity. The Distribution Branch has been decentralized for a couple of years, so we are probably in a better position than most Branches to say whether decentralization works. It has been paid off to the extent that it has been bad, it is due entirely to the lack of understanding between the regional offices and Washington. Now this Distribution question of lack of uniformity. At the start of decentralization, nobody knew how the Stamp Plan was going to work. The first year was new

and constructive. The Regional Directors were naturally given a chance to experiment a lot, and at our meetings, everyone had to look up to the Regional Director for just what was going on in the field. They were setting policy at that time. Our mistake, or perhaps, I should say negligence, was that we didn't establish a definite understanding of relationships. We were operating up until last year under that situation and to that extent I think Distribution deserves criticism. I suspect you are not right up to date about what is going on in the Distribution Branch. In the past 5 or 6 months we have taken definite steps to eradicate some uniformities, although not entirely for uniformity's sake. I don't want that remark to imply that uniformity is inefficient. Insofar as organization will permit, uniformity ought to be established.

OLMSTEAD: I don't expect the regions of AMA to be uniform - they can't. But insofar as the program will permit, uniformity ought to be established.

I
TYPES OF PROGRAMS AND LEGISLATIVE AUTHORITIES

Norman Leon Gold

I am going to try to outline briefly to you what the various programs are, and then Mr. Hoofnagle will tell you something about the financial status.

First, I would like to tell you about something I saw last night. This notebook is an almost awesome collection of summarized information on A.M.A. programs and activities. Mr. Hoofnagle and his men put this together. It is quite remarkable. You can turn to any branch and obtain a statement of the programs, and even find out what some of the problems are. From my point of view, in wanting to outline to you the A.M.A. programs, it was almost discouraging, because you get the feeling that the darned activities are so big that you are never going to get hold of them. If he can do so, Mr. Hoofnagle is going to give you one of these summaries. I think it would be the handiest reference you can have as to what the programs are. Are you going to be able to give the regional men a set?

MR. HOOFNAGLE: I think we can bring it more up-to-date and have it photostated.

DR. GOLD: The A.M.A. programs can be grouped under about 12 different kinds of activity. The first is, in terms of size, Procurement and Dockside Shipments for Lend Lease. Lend Lease now includes more than Britain, it includes Russia, Free French, Poland, Czechoslovakia; you can't mention a war area, exiled government, or a group of war prisoners that is not in Lend Lease, or likely to be in Lend Lease pretty soon. Under that general program is included Construction and Expansion of Plants. Mr. Wyckoff is going to tell you something about the activity in that field. We do have funds for construction and expansion of plants and for storage facilities in connection with Lend Lease, and incidentally, management and service functions required for shipping food and nonfood products for Lend Lease.

The second easy division is also concerned with purchase, but is Transfer of Commodities to Other Federal Agencies. By and large in the government today there are two major food procurement agencies, one is the Army and the other is ourselves. We are developing a system of mutual cooperation. For instance, we buy practically all the pork, the Army buys practically all the beef. It is just a matter of days--in some instances it is already happening, that we simply transfer to the Army whatever pork is needed by them so they won't have to come into the market, and they transfer whatever beef we want so we won't have to go into the market. We have transferred commodities such as rice, beans and others. So gradually, we will have a single procurement agency going into the market for a single commodity under a coordinated program, so that we won't go in butting our heads against each other. The federal agencies to whom transfers are made include the Army and Navy, Department of Interior, possibly, the War Relocation Board (that is for the Japanese people who have been relocated and we may transfer commodities for their subsistence); purchase and transfers are also made for the Red Cross.

The third type of activity, can be summarized as Stock Piling and Commercial Sales. We are buying commodities and shipping them to Hawaii, then selling them through commercial trade channels and maintaining a stock pile of three to six months' size, so that in case of embargo or blockage, the civilian population will be protected. We have also started a similar program for the whole Caribbean area where stocks are being placed for distribution through commercial channels to the civilian population. Another phase is possible commercial export sales. This has come up particularly in the case of dried eggs; we are practically the only buyer of dried eggs, and have created a great deal of the market. A short time ago some commercial exporter who wanted to get an export license to export dried eggs, found he couldn't get a license unless he would get the commodity from us. This is simply another method of decreasing the buying pressure for certain commodities in the market. Another new development is the sale of our supplies to private welfare agencies for foreign relief. We know of two private welfare agencies who are figuring out their requirements and we have indicated that we will make available at cost the commodities they want. Another prospective development in connection with Stock Piling and Commercial Sale is going to come about as a result of our price support activities. For instance, on canned fruits and vegetables, the price ceiling was, in the opinion of the processors, such that there would be difficulty in selling the processed commodity to the wholesalers and to the commercial users. In order to make sure the crop would be packed, we have underwritten the processors' sale of that commodity. If they can't sell at their ceiling price to the next distributor, they can sell to us. As a result of that, we are accumulating some stocks. At some points we will have to decide whether we need them for the requirements of Lend Lease or military, or are going to release them back to the market. That activity, too, may develop considerably in the future.

The fourth type of activity is Programs to Increase Domestic Consumption of Food and Fiber Products. That can be broken into five parts: Food stamps, school lunches, penny milk to school children and low cost milk to families, direct distribution of products to families and institutions, and the cotton mattress program.

The fifth type of activity is concerned with Export Subsidies. We will have some export subsidies during the current year for flour and possibly cotton. They seem to be out of place, and I think they have been put in primarily for bargaining instruments looking toward international agreements on these commodities.

A sixth type of program has to do with New and Extended Uses for Commodities. A number of these generally fall under the head of diversion programs. For instance, currently subsidies are being made on patterns for bale coverings, a cotton covering to take the place of jute. In the past there have been programs on walnuts, diverting them from the whole nut to the shelled form.

A seventh type of program is Marketing Agreements and Orders for Fruits, Vegetables, and Milk.

The eighth item, Market News is a distinct type of marketing activity. Primarily this concerns producers and handlers, and to some extent, retailers and consumers.

The ninth has to do with Consumers' Safeguards. We have a consumers'

division and it functions somewhat as a king's conscience, looking at our programs from the point of view of the consumer, and either trying to promote or modify certain things so the impact on the consumer will not be too unfavorable.

The tenth type of program activity is a rather simple designation but is very widespread, it covers a number of Inspection, Grading, and Regulatory Activities that includes, of course, regulation of the futures markets under the Commodity Exchange Act, regulation of Packers and Stockyards, etc. There is a myraid of regulatory laws - over 25, I believe. I think we have provided you with copies of the various Acts. They have to do with, among other things, cotton classing, cotton futures regulation, on small packages research, establishing standards and grades. In terms of funds, they are a relatively small part of our over-all expenditure. But when you look at the administrative funds, they are pretty big. They run around six million dollars, and that compares pretty favorably with administrative funds on other programs.

The eleventh division is Hearings on Freight Rates. In various parts of the country you are going to see a very real interest in hearings on freight rates. Under the Agricultural Adjustment Act, the Secretary of Agriculture can come in and ask for a hearing or present evidence, as a friend of the farmer before the Interstate Commerce Commission, on freight rate adjustments. There is quite a hot case going on right now in Memphis, and there will be quite a number of other cases. It is one of the few places in the marketing system where we have the legal right to try to reduce cost. That work is handled by the Warehouse and Transportation Branch.

Now, those are about everyting that you can find a precise legal statute for, but I have included in the twelfth, type of program something which isn't precise in any statute, but yet is in every one of them, and I call it Agricultural Production and Food Management. And I would say of all problems we are faced with in our current discussion, we are most concerned with this problem of Agricultural Production and Food Management. I made a distinction between Agricultural Production and Food Management because an agricultural product is rarely food, it is the raw material for food and we have to carry it through to the finished product. The way we get into that is largely through the instrumentalities of all the things I have mentioned to you before. This involves the problem of price support and control and production inducement. It involves all phases of processing and getting priorities for material. It involves all the steps that are taken to facilitate distribution of products once they have been produced. It has to do with the underwriting of existing ceilings, and every effort we conscientiously make to seek improvements in the marketing system. It is the phase of our activity that in many ways has the loosest legal basis, and yet I think as you look over the things we are doing and as the farmers and handlers and processors come to you with their problems, it is the phase that is going to bulk largest in your minds.

Now, I have two sets of documents here. They are designed specifically for the seven regional people, and they are somewhat bulky as you see. One is a very recent issue of the Department on the problems of production and on productive capacity for 1943, a problem which will be our major internal problem for the next several months. This is an unusual

job and analyzes production problems, facilitating problems, labor and transportation problems. I think you will want to read it because you will have to be familiar with that. I think you are going to want to have part 2 because it gives you statistical information on your problems.

The next set of documents is a complete history of our legal material. Mr. Mook, I will ask you to explain what you have here. Mr. Mook is one of the group in our organization unit, and some of you are going to see a good deal more of him.

MR. MOOK: These volumes that you see here are "Laws Applicable to the Department of Agriculture." There is a 1935 edition, which brings everything up to that time, and a subsequent edition, the 1941 supplement. A lot of our defense aid legislation has been passed since that time, and I have compiled those acts into these volumes. We have seven sets, one for each region, and I think you will find them helpful. In another set of sheets -- let's call it a Summary of Legislation -- I have outlined the four problems we have. One is the programs, second is the legislation, the third describes briefly what the legislation is, and the fourth is a reference, so you can refer quickly to the books and sheets that I mentioned, and find what you want right away. This other collection of sheets which Mr. Van Dyke prepared indicates the funds available for the fiscal year, 1943.

I - Continued
APPROPRIATIONS

James E. Hoofnagle, Budget Office

DR. GOLD: Now, Mr. Hoofnagle, I think I will ask you to run over very quickly the fund situation at the present time. Mr. Hoofnagle is the budget officer for the Agricultural Marketing Administration, in the Division of Budget and Finance, as well as being in charge of the organization unit.

MR. HOOFNAGLE: We might as well distribute these two collections which Mr. Mook described. One is a summary of legislation; the other shows the funds available for the fiscal year 1943. I think it might be helpful if I go over this second one to explain it and to indicate what the present status of the funds is, since this collection does not give the entire picture.

This section on Lend-Lease is simply a breakdown by categories of the Lend-Lease funds allocated to A. M. A. Lend-Lease is operated in quite a different manner, from our other funds, in that it is not a part of the A. M. A. budget document. The present allotment is not on a fiscal year basis, and we will probably spend by the end of this calendar year all the funds that are available, allocated, or earmarked for Agriculture. In other words, we will have to have appropriated through the Lend-Lease Administration more funds for the purchase of agricultural commodities for foreign governments around December, and that is entirely a separate budget problem. We have allocated two million dollars for administrative expenses for Lend-Lease up to December 31. Our present plans are to secure at least that much for the first half of the next calendar year. Lend-Lease operations now are on the rate of two billion dollars a year.

You will note on the first page an item of twelve million dollars for the Caribbean Stockpile. None of that fund has been spent to date. It is a question of policy as to whether to spend from that fund or some other. There is a method of financing under consideration now under which we will either use or discard this item in the near future. The Territorial Emergency Fund is being used for Hawaii. That is a revolving fund of which we are allowed three percent for administrative expenses. The Red Cross item on the list for two billion dollars, we expect to spend that in the first two quarters of this fiscal year, and the Red Cross is already taking action to get some more money for that purpose.

Now, coming down to the item which will be of particular importance to the field -- Section 32 -- \$175,000,000 was received for use this fiscal year from customs receipts, and of that \$15,000,000 has already been put in reserve by the Budget Bureau, which reduces the amount available by that extent. Now, as you will notice, under that item there are Purchases, Diversion (on the second page), Export Subsidies, the Stamp Plan, and Administrative Expenses. That \$15,000,000 will have to come out of some of those items. I think beyond doubt it will have to come out of Purchases and the Stamp Plan. On Export Subsidies we have commitments at the present moment of \$3,800,000. Under Diversion we have what is tantamount to a commitment of \$23,400,000, possibly that can be altered some. The amount of \$7,000,000 for administrative expenses under Section 32 represents 4% of the total \$175,000,000. All of that is not actually available for us to spend, speaking of "us" as the Agricultural Marketing Administration. Approximately \$1,000,000 represents transfers and allotments to other bureaus and agencies of the Department, for example, the Office of

the Secretary and the Bureau of Agricultural Economics, the Office of Information, and so on.

The next item is a cooperative project with the Quartermaster Corps, for the inspection of processed food. There are two or three of those together right there, one is a small item for the training of Army inspectors to inspect hay, the next is for freight rate hearings. Dr. Gold mentioned the item for the Warehousing Branch.

The next is for the Consumer's Counsel, one of the, I suppose we would say staff divisions of the Agricultural Marketing Administration. The Consumer's Counsel funds are obtained from allotments from other agencies in the Department and some from Agricultural Marketing Administration.

The next is Crop Insurance, about which there is only a curiosity, I suppose, in terms of field operations. That is allotted to the Grain, Feed and Seed Branch for market reports that are used by the Crop Insurance Corporation.

The next is Investigations of Grain Storage and Tests of Castor Beans. We haven't any allotment for this year to date.

Research Projects on the following page --- that money comes from a special research fund of the Department and is allotted by the Secretary and the Research Administration. There are numerous bureaus that receive funds from the appropriation, and this is our share for some work in the Cotton Branch and Grain and Feed and Seed Branch.

Next is Classing and Grading Cotton for Commodity Credit.

Now, in the next group there are a series of direct appropriations, which with a few exceptions made up the former Agricultural Marketing Service. This year we have an item in there for general administrative expenses of \$159,850. That item will not be in future appropriations, but will be distributed among the other sub-appropriation items there. That change is due to the organization of the budget document resulting from the Consolidation of A.M.S., S.M.A. and C.E.A. Now, these items under the general designation of Marketing Service Appropriations do not correspond with what you would see in the appropriation act in all instances. That is due to several factors, primarily to the fact that we get reimbursement for some of the work performed. In other words, we have more funds available than were appropriated for certain activities. But it is also reduced by the fact that this year our travel allowance is reduced, one-and-a-half million dollars of the total Department appropriation is returned to the Treasury as a travel saving. I want to talk about that general problem a bit later, but that is the explanation for these figures not agreeing with what you might see if you read the Appropriation Act. A copy of that 1943 Appropriation Act is included in that collection of legislation which you have there.

QUESTION: What is the one called Marketing Farm Products? It sounds like the whole A.M.A.

DR. GOLD: It is grading and inspection.

MR. NEWELL: It is an over-all allotment for the various branches for standardizing markets.

MR. HOOFNAGLE: A lot of these items are related. I believe our history would show that when we get a new activity we add on an appropriation and a law and later they are consolidated with related appropriations. I'm sure the result is gradual over a number of years as we build up a larger number of separate items and then as they become stabilized we consolidate the appropriations. For example, this coming year, the 1944 fiscal year, the Perishable Agricultural Commodities, Produce Agency Act and the Standard Containers Act will be put over into a single sub-appropriation item, so you will have those under one heading. There are lots of reasons why we can't go all the way but we should go as far as feasible in consolidation sub-appropriation.

On the next page is one I want to mention particularly, that is, Enforcement of the Commodity Exchange Act. That is the appropriation for the former Commodity Exchange Administration, item and it has been reduced 26 percent from last year. That is a very serious reduction in money for that activity. We, this year, for the fiscal year 1944, are making an effort to have that cut restored in order that we can adequately do the job that is laid out in the Commodity Exchange Act.

The President's Emergency Fund is a fund that was set up last year when we were having several decentralization moves here, including one in the Cotton Branch and one in the Budget and Accounting Division. It was simply to provide for the expense of moving people out in the field. If we have any further decentralization activity, as distinguished from simply moving individuals about in the field, that fund would be available.

These other items are trust funds, which I am sure you will hear a lot about when you talk with the Commodity Branches. There are, I believe, 18 trust funds incorporated in these items set up as separate funds.

QUESTION: What do you mean by "trust funds"? Why do you call them that?

MR. HOOFNAGLE: They are revolving funds through receipts or reimbursements. They are set up from fees and receipts which come in for an activity, from which you pay the expenses of that activity.

MR. NEWELL: There is a lot of inspection that is paid for like that.

MR. HOOFNAGLE: I mentioned that this travel question is a very serious one. A million and a half dollars must be returned to surplus from the Department, and for the purpose of Calculating A.M.A.'s share our deductions were based on three items, Export and Domestic Consumption, Commodity Exchange, and Marketing Service. Our travel is reduced this fiscal year, under Section 32, 12.6 percent; 7% under Marketing Service, 5% for C.E.A. In other words, this year we will have to spend that much less than we spent last year, and in the two weeks I have had time to look into the problem, it seems to be one of the most serious problems we are going to face. I wanted to mention that because when the permanent allocations are made, if you feel that you absolutely can't operate under that, we want to know about it immediately.

Now, as to this question of allotment. So far the allotments to branches and divisions have been made on a temporary basis, for three months, or one quarter. We want to get out within the next few weeks permanent allotments for the branches and the service divisions of A.M.A.

DR. GOLD: There is just one question I might anticipate, and that is the one as to allotments for the regional administrators. We have about come to the conclusion that we will set up new allotments for the regional administrators separate from any allotments which have been made to the former branches or the field. I don't think any other method of handling it would be at all satisfactory.

MR. CAPPLEMAN: We have been operating in the Southern Region under this allotment you gave us for three months. That won't be charged against us in the new breakdown that you have?

MR. HOOFNAGLE: It will be separate from that. It depends on how you mean by being charged. It will be charged to those activities, only a proper proportion will be reflected in the new allotment for the regional administrator.

MR. CAPPLEMAN: That is what I was talking about.

MR. KITCHEN: This travel limitation doesn't apply to Lend-Lease. When they calculated that, did they include subsistence? I suppose they did.

MR. HOOFNAGLE: I'm not sure.

MR. NEZELL: I am quite sure subsistence was figured in that, Mr. Kitchen.

MR. KITCHEN: The limitation applies to all items of the appropriation?

MR. HOOFNAGLE: This is administered by the Department, and the office of Budget and Finance will give us fairly broad discretion with the A.M.S. items. The limitation applies to the Administration as a whole.

MR. KITCHEN: The question that is going to be raised is, "Will it take into consideration increases in personnel, and the fact that travel and subsistence allowances have been raised somewhat?"

MR. HOOFNAGLE: It wouldn't take that fact into consideration, it just wouldn't be a factor. This requires an absolute decrease in travel expenditures, but where your appropriation was increased from last year, the travel allowance would also be increased.

FUNDS AVAILABLE FOR THE FISCAL YEAR 1943

Program	Legal Authority	Amount	Remarks
Lend Lease	Defense Aid Acts		
Facilities & equipment	\$ 2,494,400		For construction and expansion of plants
Agricultural commodities	594,332,426		Total earmarked for agriculture to date is \$2,323,000,000.
			Expenditure now is at rate of 2 billion/year.
Services & Expenses	20,256,949		\$20,000,000 earmarked for storage facilities; remainder for salvage, mobile egg-drying lab., etc.
Caribbean Stockpile	12,000,000		Revolving fund
Administrative Expenses	2,006,651		For first half of fiscal year only
Territorial Emergency	25,371,168		\$35,000,000 revolving fund available; not all will be employed this year.
Red Cross	Special Act	2,169,277	Additional allotments expected
Exportation and Domestic Consumption	Section 32 as amended		Of the total of \$174,445,325 available under Section 32, the Budget Bureau has set aside a reserve of \$15,000,000 to be distributed among the various programs.
Purchases (School lunch & direct distribution)		52,160,939	

Export subsidies	:	:	\$ 3,800,000	:	:
Diversion, by-products, school milk	:	:	23,400,000	:	:
Administrative Expenses	:	:	7,032,279	:	:
Blue Stamp redemptions	:	:	89,000,000	:	:
Orange stamp revolving fund	:	:	Approx. 175,000,000	:	:
Inspection Services for Quartermaster Corps	:	:	119,618	:	: Additional allotment of \$300,000 expected; for inspection of processed foods.
Inspection Services for U. S. Army	:	:	3,250	:	: For inspecting hay and training Army inspectors to inspect hay.
Freight Rate Hearings	:	:	68,662	:	: Allotted to Transportation & Warehousing Branch
Administration of the Sugar Act	:	:	21,000	:	: Allotted to Consumers' Counsel
Conservation & Use of Agricultural Land Resources	:	:	102,000	:	: Allotted to Consumers' Counsel
Administration of the Federal Crop Insurance Act	:	:	2,000	:	: Allotted to Grain, Feed and Seed Branch
Investigations of Grain Storage & Tests of Castor Beans	:	:		:	: No allotment yet received from Commodity Credit Corporation

Research Projects	:	:	18,250	:	\$15,500 allotted to Cotton Branch; \$2,750 allotted to Grain, Feed and Seed Branch
Classing and Grading Cotton	:	:	125,000	:	Service performed for Commodity Credit Corp.; additional allot- ment of \$150,000 expected -- to be used for grading tobacco as well as cotton
Salaries & Expenses, Marketing Service	:	:		:	Agri. Appropriation Act
General Administra- tive Expenses	:	:	159,850	:	Out of this total of \$6,163,403, the Budget Bureau has set aside a tentative reserve of \$12,000 to be distributed among the various programs
Marketing Farm Products	:	:	364,380	:	
Market Inspections of Farm Products	:	:	607,062	:	
Market News Service	:	:	1,125,920	:	
Perishable Agricul- tural Commodities Act & Produce Agen- cy act	:	:	174,685	:	
Standard Containers Act	:	:	10,400	:	
Cotton Quality Statis- tics and Classings Act	:	:	478,445	:	
Cotton Futures & Cotton Standards Act	:	:	409,483	:	
	:	:		:	

U. S. Grain Standards Act	:	:	\$	775,996	:
Warehouse Acts	:	:	:	455,115	:
Federal Seed Acts	:	:	:	80,515	:
Packers & Stockyards Act	:	:	:	389,544	:
Tobacco Inspection & Standards Acts	:	:	:	851,293	:
Naval Stores Act	:	:	:	30,700	:
Insecticide Act	:	:	:	169,015	:
Enforcement of the Commodity Exchange Act	:	:	:	467,334	: Reduced 26% from previous year
President's Emergency Fund	:	:	:	1,350	: For expenses connected with de-centralization
New England Radio News Service	:	:	:	7,150	: Trust fund made up of contributions from States
Inspection & Grading of farm products	:	:	:	2,822,584	: Trust fund
Unearned fees, Commodity Exchange	:	:	:	123.50	: Trust fund
	:	:	:		:
	:	:	:		:

Summary of Legislative Authority Under Which AMA Operates

Program	General Enabling and Appropriating Authority	Remarks	Reference for Legislation
Lend-Lease	<ul style="list-style-type: none"> Defense Aid Acts Pub. Law 11, 77 Cong. 3/11/41 Pub. Law 23, 77 Cong. 3/27/41 Pub. Law 282, 77 Cong. 10/28/41 Pub. Law 474, 77 Cong. 3/5/42 	<ul style="list-style-type: none"> : Includes purchase and delivery : of commodities to United : Nations, to Army and Navy, and : to AMA stockpile; expansion of : plant and storage facilities; : development and maintenance of : Caribbean stockpile 	<ul style="list-style-type: none"> : Separate sheet
Domestic Consumption, Export and Diversion	<ul style="list-style-type: none"> Sec. 32, Pub. Law 320, 74 th Cong., as amended 	<ul style="list-style-type: none"> : Domestic: Includes school : lunch, school milk, low-cost : milk to relief families, food, : stamp plan, direct distribution : Export and New Uses: Includes : export subsidies (e.g. cotton : and wheat) and new and extended : uses (e.g. cotton for bagging, : peanuts for oil) 	<ul style="list-style-type: none"> : Separate sheet
Territorial Emergency Program	<ul style="list-style-type: none"> Pub. Law 371, 77 Cong. 12/23/41 	<ul style="list-style-type: none"> : This is a revolving fund. Pur- : chase and resale of commodities 	<ul style="list-style-type: none"> : Separate sheet
Red Cross	<ul style="list-style-type: none"> Pub. Res. 88, 76 Cong. 6/26/40 and Pub. Law 648, 77th Cong., 7/2/42 	<ul style="list-style-type: none"> : Authorizes President to purchase : agricultural commodities and : distribute through the Red Cross 	<ul style="list-style-type: none"> : Separate sheet
Marketing Agreements and Orders	<ul style="list-style-type: none"> Agricultural Marketing Agree- ment Act, 6/3/37 	<ul style="list-style-type: none"> : Funds appropriated Pub. Law 10, : 73d Cong. 5/12/33 were exhausted; : at end of fiscal year 1942 	<ul style="list-style-type: none"> : P. 129 of 1941 : Supp. to Laws : applicable to : U.S. Department : of Agriculture

Program	General Enabling and Appropriating Authority	Remarks	Reference for Legislation
Market News Service	: Agr. App. Act. Pub. Law 674, 77th Cong. 7/22/42	: Authorizes Secretary to employ and license inspectors to inspect and certify the quality or condition of any perishable agricultural commodity when offered for interstate shipment	: P. 190 of 1935 ed. or P. 104 of 1941 Supp.
Standardization Inspection, Grading and Regulatory Activities	: Agr. App. Act. Pub. Law 674, 77th Cong. 7/22/42	: Authorizes Secretary to extend to cotton growers facilities for the classification of cotton	: P. 177 of 1935 ed. P. 103 of 1941 Supp.
(a) Inspection and Grading	: Perishable Ag. Commodities Act 6/10/30	: Authorizes Secretary to invest in gate storing, etc., of tobacco and to establish standards and to inspect and grade tobacco; also to compile and publish tobacco statistics	: P. 191-9 of 1935 ed. of Laws applicable to U.S. Department of Agriculture
(b) Tobacco Inspection, Standards and Reports	: Tobacco Inspection Act, 8/23/35; Pub. Law 356, 74 Cong. 1/14/29, 7/14/32	: Produce dealers licensed; fees collected	: Pp. 179-191 of 1935 ed.
(c) Protection of growers against receiver market dumping	: Perishable Ag. Commodities Act 6/10/30; and Produce Agency Act, 3/3/27	: Authorizes Secretary to extend to cotton growers facilities for the classification of cotton	: P. 94 of 1935 ed.
(d) Cotton Classing	: Cotton Standards Act, 8/11/16, 3/4/19 and 3/4/23	: Includes compilation of statistics and estimates of grades and staple length of cotton	: P. 177 of 1935 ed. P. 103 of 1941 Supp.
(e) Free classing for producers of improved varieties	: Cotton Classing and Statistics Act, 3/3/27 and Smith-Doxey Act, 4/13/37		

Program	General Enabling and Appropriating Authority	Remarks	Reference for Legislation
(f) Regulation of sale of cotton for future delivery	Cotton Futures Act, 8/11/16		:P. 536 of 1935 ed.
(g) Analysis of fiber properties of cotton	Cotton Fiber Testing Act, 4/7/41		:Separate sheet
(h) Grain grading and standardization	Grain Standards Act, 8/11/16	:Includes grains and soy beans. :Provides for compulsory use of :official standards.	:P. 98 of 1935 ed.
(i) Warehouse Inspection	U.S. Warehouse Act, 8/11/16	:Provides for investigation of :warehousing, classifying, weighing and certification of agricultural products, and for :issuance of warehouse receipt :which is a negotiable instrument: :also provides for investigation :of financial responsibility of :warehousemen	:P. 137 of 1935 ed.
(j) Regulation of Packers	Packers and Stockyards Act, 8/15/21, 8/14/35, and 8/10/39	:Enumerates several unlawful :practices, e.g. conspiring to :control prices, to apportion :territory, etc.	:P. 122 of 1935 ed.
(k) Inspection of Seed (largely imported seed)	Fed. Seed Act, 8/9/39	:Notices with respect to imported :alfalfa and red clover seed are :in full force; also includes :labeling of seeds in interstate :shipment	:P. 94 of 1941 Supp. :P. 233)
(i) Inspection of Naval Stores	Naval Stores Act, 3/3/23	:Provides for establishment of :official standards for naval :stores	:P. 102 of 1935 ed.

Program	General Enabling and Appropriating Authority	Remarks	Reference for Legislation
(m) Testing and enforcement of insecticide standards	Insecticide Act, 4/26/10	Prohibits manufacture of adul- terated and misbranded articles and provides for seizure of such articles	P. 108 of 1935 ed.
(n) Standards for small fruit and vegetable containers	Standard Container Act, 8/31/16 and 5/21/28	Establishes standards and fixes penalties for violation	P. 214 of 1935 ed.
(o) Export standards for apples and pears	Export Apple & Pear Act 8/10/33	Authorizes Secretary to pre- scribe requirements which apples and pears must meet be- fore shipment in export	P. 201 of 1935 ed.
Delegation of Regulatory functions	Schwellenback Act, 4/4/40	Authorizes Secretary to delegate certain regulatory functions to Departmental officers or employ- ees allocated in grades not low- er than P-7 and CAF-14	Pp. 60-61 of 1941 Supp. Paragraphs 189-3 to 189-7
Enforcement of Commodity Exchange Act of 1936	Grain Futures Act, 9/21/22 Amended June 15, 1936	Commodity Exchange Act is an amendment to Grain Futures Act It strikes out word "grain" and inserts in lieu thereof "commodity."	P. 78 of 1941 Supp.

PROCESSING FACILITIES

J. B. Wyckoff

Assistant to the Administrator

Dr. Gold: I want to turn next to the phase of our work which is undoubtedly going to be more and more important, and I think probably is the one about which we know the least, and we will get a great deal of inquiries on it. That is the work on processing facilities. Mr. Wyckoff, as Assistant to the Administrator, has general supervision over that. Mr. Wyckoff.

Mr. Wyckoff: It starts with the present situation, where we have a tremendous wartime production of food. Paralleling that is a need for an increase in food processing facilities. I have an idea that the general requirements for facilities outruns the increased production. And that comes at a time when the battle in Washington is for metals, and metals in food processing are very important. The Agricultural Marketing Administration has a responsibility to see that all food, perishable and imperishable, that is produced at the instance of the Department and the Secretary, is used immediately and properly and is not wasted. So processing facilities are increasingly important to us.

You in the field are going to run into two groups of applicants for facilities and priorities. One group consists of processors who are considering the expansion of their facilities, the addition of new facilities, or going into an entirely new field. And the other is the group of producers who face the problem of finding a convenient, satisfactory market, which will meet wartime requirements as they are known here in the Department. In meeting those two groups, it becomes necessary, I think, for you to get a blueprint of what our thinking is here about plant expansion, and about facing the problems we have with both these groups. So I will tell you in a general way how we get increased processing facilities out of this maze of war organizations with the conflict and the demand that there is for the very critical materials that are needed by us in our claim that food is an important part of winning the war. That means that we have to make a very good case for every application that comes here. It isn't simply a matter of a producer saying, "I need this, it is going to process a needed agricultural commodity." The time when that argument was strong enough passed a long time ago. In every case where there is a requirement for a critical material, and that means metal primarily, each case has to be made stronger. So in talking with someone who has the idea of expanding his plant to process a commodity which has increased in his area, and the increases are in every area, the things you want to consider are these:

In the first place, if he is a processor, is he a good one? Has he a good reputation? Has he always maintained good standards and a good clean plant? In the second place, you want to ascertain if he has really made some plans and knows what he is up to. If he has, has he had his engineers canvass the field for a proper building, properly located, with a boiler in it. A new boiler is hard to get. Has he tried to find second hand material that can be used? That includes motors. If he hasn't found used motors we will be glad to help him, but new ones are out. If he is expanding his plant, has he the basic facilities for handling the commodities? For instance, if he is a canner and is going

into dehydrating vegetables, has he the preparation equipment - everything except the drying unit? We expect he hasn't got that, but in some cases they may be assembled, homemade. He can't get a new drying unit for six months. If he needs a building, go into every detail. On reinforced concrete construction the War Production Board will say no, that takes steel. Steel rails--impossible. A few hundred yards of electric wire outside the plant, they say, is unnecessary; he should go somewhere else and get closer to the power lines. When you get down to the fundamentals in food processing, there are two metals which you should have to keep food clean. One is stainless steel, which was used more than any other metal in food processing. Now there just isn't but very little of it, so we must consider other things. They thought for a while in drying eggs and milk they had to have stainless steel drying chambers. Now we may be able to get a stainless steel shaft, because we find the discoloration which comes from using anything else is likely to cause a good product to be turned down by the inspectors.

So far as your producer is concerned, if he hasn't conducted a search for used materials there is going to be endless delay, and one thing we must keep in mind is, that what we are interested in is production now. A plant which can't get into operation in six months in any of the programs to meet our needs is wasted material.

Another thing to keep in mind is what his production schedule is to be. Is he going to be able to use this equipment, not just eight hours a day for a season say, of three or six months, but any plant to get any critical material must expect to operate a minimum of 20 hours a day for 300 days a year. So in food processing, which is normally pretty seasonal, a man has got to use ingenuity in seeing that new and old facilities will be used to that extent. The question of time of operation leads to an understanding of the very criticalness of most of the materials that are required in food processing.

Then, you will hear from certain milk producers who have been delivering to an evaporating plant that the demand at the plant is not what it was, they are not finding the outlet that was there. The fact is, we are still buying all the evaporated milk that is being produced. We don't want it as we did, and are trying to convert to dried milk. We are taking what is available, but not at the price we were paying when we wanted it so badly, and naturally there is not the demand that there was. So far as the producers are concerned, you are going to find that kind of pressing inquiries coming to you. What are they going to do with that milk? You aren't supposed to know the answer to that, neither am I, but they want to know right away, and I think in cases like that a telegram to Mr. Hendrickson would be warranted with the full story. Similar requests come in from vegetable producers and others.

It may be there will be opportunity for somebody who doesn't know anything about our needs for dehydrated vegetables to go into the dehydrating business. It may be in certain areas we haven't quite discovered they are getting into big production, and facilities for

dehydrating vegetables are needed, so let us know if it ties into the program. Our needs for dehydrating plants are not even known yet. The business of dehydrating vegetables, which was a small business in our country up to a little over a year ago, is being tied up to the increased production of vegetables, and the plant must be properly located to produce the products we want most. The Army's requirements are 90 percent of the total on dehydrated vegetables. So what you will want to know is what the Army wants in the way of dehydrated vegetables. They want potatoes and cabbage--a lot of dehydrators are scared of cabbage, it is too bulky and it is new. They want onions. In a general way, all I can say about producers who come to you with problems of increased facilities is, that the best thing is to get them in here and we will get them around to the commodity branches. And I have seen some pretty quick action on inquiries that have come in. You have got to try to help them, because always in back of the mind of the producer or the grower is the idea that he was asked by the Secretary of Agriculture to grow food, and it is up to us to use it properly.

In a general way, this dehydration program is one which is now dominating our interests; that is natural, because it is a new field. Every war has brought a dehydrated demand, a demand for dried things. In this war that is particularly true, because of the area of the world that has to be covered and the limited transportation it is worse than it was last time. In the last war most of these dehydration projects were gone into rather hurriedly, but in this war we were better prepared. As far as research and scientific study in the preparation of materials went, we know pretty well how food had to be dried in order to be palatable, to retain its essential quality. And we had one other thing in mind, that there should be a world market for dehydrated American vegetables, milk, eggs, and meat, after the war, if the product that we make now is acceptable to those who use it. It never has been before. So we are trying, with the small amount of material available, to put science into all these projects in order that we make an acceptable material which will not be finished when the war is over. That leads us to another thing--the financing of the plants. It is entirely possible for a group or an individual to be financed with Government funds as a war time project. When we started on the dried milk program, we financed I think, ten plants. A majority of them were cooperatives. The money for the construction was located either by Defense Plants, which is branch of R.F.C; R.F.C. itself; in some cases Farm Credit; or Farm Security. It could be almost any one although the limitations on some are different from others. They entered into contracts to construct the plant. When it has been put into operation, we have funds which were given us by Lend-Lease, whereby the Department of Agriculture, that means the United States Government, takes title and makes reimbursement for the construction loan. We then contract with the operator of the plant, whereby he pays us as rent 10 percent of the cost per year for ten years, plus an interest of 3-1/2 percent. If the war were to continue for ten years, at the end of that time the plant would be his. If the war terminates before that time, what he has paid is credited to the total cost and negotiations are undertaken whereby he may take over the plant or the Government may continue to operate it. It is rather a complicated setup, that means it is rather slow, and often we have had delays which were primarily financing delays. For that reason it tends to slow up the program. That was all right six or eight months ago, but now we

find that many canners who were properly equipped with boilers, a good plant and trained workmen quite naturally stepped into the vegetable dehydrating program by financing themselves. In the vegetable dehydrating program, I believe we have only financed one whole plant, and partly equipped another plant, and there has been no other government financing, not because it isn't available, but because they could finance themselves. They want to go in it on a permanent basis, and they knew they could get into operation much more readily by doing their own financing. One other thing. A number of these plants that are going into the new wartime programs on food processing are able to get an amortization under the War Department which is pretty helpful. It covers a period of five years. It is perfectly proper that a war time venture along the line of the powder plants and plants being put up to make non-food war materials, apply for this amortization. We come under the same regulation. We pass on the applications here. We look into them very carefully because we want to be sure the Government is going to lose nothing under this amortization but is really gaining a needed wartime facility which was planned intentionally as a wartime project.

Question: Does that apply?

Mr. Wyckoff: Yes, it does; it applies to almost anything constructed to meet a war need.

Dr. Gold: There are two things, if you would review them briefly I think it would be helpful. One is, if you would just sketch the lines from the application on through so that they would know the channels through which things go, and the other is, if you would mention a little about this bank of metals.

Mr. Wyckoff: Well, under our dehydration program we were asking for 110 million additional pounds of dried eggs. By the time that is produced, we will have an annual production of over 422 million pounds. We have 89 plants in operation, we are going to have 134. So you can see, as far as dried eggs are concerned, that is a pretty big program. Actually we have enough applicants, worthy applicants, to carry on this program with very little financing among them. Under the vegetable dehydration program, which is not yet complete, we have 66 million pounds we are working for right now, that is, annual production. Because there was so little vegetable dehydration, the program was started in this way: Every good canner and everybody who had ever done any dehydration of vegetables was sent a questionnaire. He was asked: Are you interested? If so, please tell everything about your facilities and equipment. We were interested to find that over 200 firms applied. We didn't need much over 50, so you can see we had a pretty good choice. Some wouldn't do. Some said, "If the Government wants me to go in, I will", that was too half-hearted. When the applications came in, they were considered by a board made up of representatives of the Quartermasters Corps, representatives of our own Fruit and Vegetable Branch, and the War Production Board's food people. I sat in on a good many of those meetings and have seen how

thoroughly they consider every application that comes in. They have accepted so far around 50. They then write the man and say, "If you will dehydrate certain vegetables and if you will do so much on full production, we are sending you an application to fill out for the material you need." That is Form PD-200 that goes to the engineers in the War Production Board and to our own men. Mr. Meal has a man who has been experimenting for years with dehydrating machinery and equipment. Then the stripping process begins--to cut out critical metals. Then the application is considered by the Priorities Committee of the War Production Board, and so it goes on its way toward the issuing of a certificate. Within a period of four days last week, they issued certificates for 35 of these plants, every one of them self-financed, the best of the food producers in the country, Heinz, Phillips, Campbell, all the way down and including a good many of the smaller ones. And most of those plants, because so much of the equipment is already there, will be in full production within 90 days, if the man can get the materials needed. To get materials, we found it was getting increasingly difficult with favorable priorities. A plan was developed, here I believe, for the establishment of a metals bank to cover this dehydration program. A careful study was made of the metals which would be needed to construct the plants that would be required to meet the production that we wanted. It was all added together, and the Food Requirements Committee submitted it to the War Production Board, and Mr. Nelson gave it his approval and said, "We will set aside this much metal for this dehydration program." I am told that both Mr. Nelson and Secretary Wickard are very much interested in this as a war time project. The material was set aside under what is called priority AA-3 rating. There is nothing better except the Army and Navy priority for fighting equipment. That means when this PD-200 gets through the priority division, a man draws on the bank for what he needs and it is charged to the bank, and the man should be able to get anything that he needs with the AA-3 rating, primarily because the bank has been set up. Through economies we are going to have some metal left over and may be able to increase the program. We are discussing that possibility because we are going to need more products than we asked for at first. We know when the bank is gone we are going to have to go through the whole process again, and it is increasingly difficult to get a new one set up, and without the bank there is a question whether there can be much increased production.

Question: Have you set up any plants at all from appropriations?

Mr. Wyckoff: A number, particularly in milk.

Question: Outside of milk?

Mr. Wyckoff: In vegetables, as far as I know there is only one, that is in California, which we financed at the beginning. It came along ahead of this expanded program.

Mr. Cappelman: Now, when we set out to help farmers, what attention are we paying to the producing areas on the various vegetables that will be

needed in setting up the plants, tying that in with the labor situation and such as that? •

Mr. Wyckoff: That is the next step, and is one which will be taken after the plants have been established. Having set up the plant for potatoes, for instance, with equipment which is used in the preparation of potatoes for dehydration what you want in that area is all potatoes, and in another area it means all cabbage. The next step, when the plants have been set up, is to see that production in the surrounding area is adequate and meets the needs.

Mr. Cappelman: It looks like the first thing to do would be to set it up in an area where they have the production?

Mr. Wyckoff: That has been done. In each case they have considered the production and the quantity produced in all the surrounding counties.

Dr. Gold: Would you say a word about the dehydration schools?

Mr. Wyckoff: Dehydrating is so new it is very difficult to get trained help for it. The Regional laboratory of the Department in California has specialized in dehydration, they are probably further ahead in it than anyone else. Two schools are to be operated for training men from each plant, maybe the foreman or the superintendent, or someone who can carry back the information on dehydrating procedure. The first school is in California, the last half of September, and the second is in New York State the first part of October. People may go only by invitation; they are inviting only those participating or planning to participate in the program. They may have to repeat the course, because they have so many applications. I think they are planning to have classes of about 50.

Mr. Reed: When they set up the bank that means, once set up, the clearance of price. Does the producer use an account in getting his equipment?

Mr. Wyckoff: So far they have gotten their equipment because of high priority rating of the bank, AA-3. Of course, as time passes--and this is why time is so important; the priority rating of A-1 three months ago is no good now for such things as copper and stainless steel; the priority rating of AA-3 which we got about six weeks ago, was tops at that time, but AA-3 may not be enough to get a man a boiler today. In that case, if he has everything else but his boiler, and the manufacturer says he can't give him a boiler because the Navy wants it, the man has to come back and we try to get him one.

Question: How fast is it actually getting out now?

Mr. Wyckoff: The first certificates from the War Production Board, that means drafts on the bank, were approved on the 11th, and another batch went through on the 14th.

Dr. Gold: I am going to suggest a five-minute recess.

Mr. I would like to get Mr. Wyckoff to make one more point. I think he ought to say a word as to the care with which the committee looks at these things on a geographical and climatic basis, so that in some regions there won't be too much optimism or pessimism about what we are or are not doing.

Mr. Wyckoff: That is a good point. Whether by prejudice or by knowledge, I don't know, but there are certain areas in the country where the vegetables are not considered suitable for dehydrating. The South is particularly vulnerable. They look with a pretty jaundiced eye on applications from certain of the Southern States.

PROGRAM FORMULATION AND DOCKET PROCEDURE

Budd A. Holt, Assistant Administrator

This morning Dr. Gold outlined or enumerated about 12 types of programs that the AMA formulates and administers. I have been asked to comment briefly on certain aspects of the problem of program formulation and development. I will not attempt to cover all of the 12 types of programs mentioned by Dr. Gold but instead will confine my remarks to certain of the so-called "new deal" marketing programs plus certain new types of programs that have become necessary because of the War. These marketing programs for the most part involve regulatory and financial means of controlling market supplies. I do not propose to tell you how any one of these programs should be formulated or to discuss the detailed steps of program formulation. The procedure is somewhat different kind of program, and it would be somewhat tiresome to go through all of this detail.

I wish first to point out the fact that many changes have taken place during the past several years in respect to the types of marketing programs developed by AMA. While I do not like to discuss the past too much, I think a certain amount of review desirable because many of the people that you will be dealing with may not be aware of the changes which have taken place in these programs since they were first undertaken. They may be thinking back in terms of conditions which existed from 1933 to 1935 for instance. Several factors have caused substantial changes in our programs since this early date. First, and most important, is the fact that the economic conditions in agriculture have improved substantially since 1933. Second, there have been many changes in the legislative authority under which such programs are developed. Paralleling these changes and closely related to them has been a change in administrative policy. It is perhaps somewhat difficult to determine which is cause and which is effect.

Our initial authority to formulate marketing programs was that contained in the original Agricultural Adjustment Act of 1933, which authorized the development of marketing agreements and licenses. Beginning with this initial authority, our present marketing agreement program has been developed. At the time that this legislation was passed, producers were faced with excessive surpluses and ruinously low prices. Therefore, the original objective of these programs was to develop plans for supporting prices to producers. These initial plans involved various means of manipulating or limiting market supplies. Various proration schemes were developed as well as plans for eliminating certain grades and sizes of commodities. Likewise, various surplus pools were developed with plans for diverting surpluses to other market outlets. These programs were carried out through voluntary control means supplemented by regulatory control. They did not, however, involve the use of Federal funds. During the period from 1933 to 1937 our marketing agreement legislation underwent considerable change. These changes, however, related primarily to improving the technique of enforcement. They did not change the fundamental objective of the original Act.

In 1935 a new type of program was authorized. Section 32 funds were made available to the Department under a sufficiently broad authority to permit about the same kinds of supply control programs as were authorized under the Marketing Agreement Act, except that it became possible to substitute money payments for voluntary and regulatory control. Originally there was a decided tendency to conserve the use of Section 32 funds and substantial

funds were not expended and were therefore returned to the Federal Treasury. It is interesting now to note that there was a certain amount of administrative resentment to the idea that it was necessary to make money payments to accomplish the objectives previously carried out by farmers and agricultural groups on a voluntary and regulatory basis. There was a feeling that, if payments were made as a means of diverting surpluses, there would be less willingness by these groups to assist in solving their own marketing problems under the type of legislative authority previously authorized. Gradually the problem of program formulation became one of coordinating the use of Section 32 funds with the marketing agreement program for each particular industry. Interestingly enough, this resulted in some instances in requests for marketing agreements for the main purpose of securing financial assistance under Section 32.

The types of programs initially developed under Section 32, as already indicated, had about the same objectives as the marketing agreement program. Various types of payments were made to divert surplus commodities to secondary uses or to keep the less desirable grades of commodities away from normal market outlets and thus increase prices to producers. Farm products were purchased and donated to relief groups, but the fundamental objective of these purchase programs was that of increasing farm prices, and these programs were appraised on the amount of benefit to producers' income that could be secured from the funds expended. A minimum of emphasis was placed on the needs of the relief customer. Export subsidies were likewise undertaken for the same objective.

The change in policy in respect to Section 32 purchases has been quite significant and should be emphasized. The people you deal with may not all be familiar with this change. They may not have moved ahead as rapidly as some of the rest of us. They do not all appreciate the need for food among the low-income groups, an appreciation which we did not have initially. I doubt if many farm groups realize the dual objectives of our present purchase program. Initially we did not view these purchase programs as having a consumer relief objective. The relief outlet was merely a place where surpluses could be disposed of. In dealing with the problems of surplus distribution, however, we soon came in contact with the food problem of the unemployed. Recognition of these problems has had an important influence on our purchase programs. It is responsible in part for a change in emphasis from one of restricting market supplies as a means of assisting farmers to one of increasing domestic consumption. The development of the Food Stamp Program came at a time that the importance to producers of increased domestic consumption was becoming more fully realized.

The AMA, formerly SMA, became somewhat concerned regarding the effects of its surplus removal programs. There was a realization that the purchase and disposition of surpluses as a means of supporting producer prices might possibly stimulate further surpluses. This raised a question as to whether our purchase programs could not be more closely related to the types of commodities which should be produced instead of being confined to the removal of those surpluses which were produced. I do not know how far AMA programs will go in this direction. This much is true, however; during the past two years, when production goals have been under consideration, food supplies for the School Lunch Program, Food Stamp Program, and other direct distribution outlets have been taken into account in production planning. I mention this point to emphasize certain changes in the direction of AMA activities. When considering the question of program formulation, it is desirable to keep this fact in mind. While we may have the same basic legislation as before, it might not be the best policy to undertake the same types of programs that have been undertaken in the

past. This problem is not merely one of changing administrative policy, but basically, of course, a problem of changing conditions. Look at our situation today as contrasted with the situation when these types of marketing activities were first undertaken. We have a few instances where surpluses still exist, but for agriculture as a whole there is no surplus problem. Therefore, we should expect few supply restriction programs as we have had in the past. Our object today is a war job. It is one of seeing that our programs are directed first of all to getting ample supplies of food produced and making sure that marketing facilities are ample to take care of these supplies. We are, of course, purchasing more food supplies than ever before not for the purpose of getting rid of surpluses. In the past we were always somewhat pleased when there was no surplus and purchase programs would not have to be undertaken. Today our basic problem is that of finding supplies to meet the numerous pressing needs and of devising means of procuring these supplies without too much effect on market prices.

I have briefly sketched the background of the problem of AMA program formulation. I will now mention a few points in respect to program development. The proper timing of marketing programs has always been an important problem. Timing necessitates planning in advance. Under present conditions plans must be made still farther ahead if the food problems of today are to be met. Plans must be made to get the commodities produced and processed. We can no longer wait hoping that a surplus won't arise and thus obviate the problem. This isn't of course to say that there would be no surpluses of certain commodities under present conditions.

AMA marketing programs are, for the most part, developed by our Commodity Branches. Certain aspects of the administration of these programs are carried out by the Purchase and the Distribution Branches. The programs are set forth in what we call dockets. These dockets contain the details of the programs, including their justification. These dockets must be carefully developed, cleared through the Solicitor's Office, and finally approved by the Secretary. In the case of marketing agreement programs, the legal aspects must be particularly watched. These programs, as you undoubtedly know, require public hearings at which all interested parties must be given an opportunity to be heard. They require a referendum of producers and an opportunity for handlers to sign before they can be made effective. The details of this procedure are covered in published regulations. You should become familiar with these regulations.

Before purchase programs using Section 32 funds are undertaken, similar dockets must be developed and approved by the Secretary. The dockets constitute AMA's authority to proceed. They usually specify the maximum funds to be expended, the maximum prices to be paid, and the maximum quantity of the commodity that may be purchased. They also designate the grades to be purchased, the area in which purchases may be made, and the classes of vendors from whom purchases may be made. They likewise specify the method or methods by which purchases are to be made, that is whether bids are to be taken or if the purchases are to be made at announced rates, or whether purchases are to be made on commodity exchanges. Proper development of these purchase programs obviously necessitates detailed familiarity with the market conditions of each commodity and a good deal of economic analysis as to the possible effects of the programs.

There is now under consideration a change in Section 32 purchase docket procedure. It is proposed that there be one master purchase docket with supplementary commodity programs developed by the Commodity Branches and approved

by the Administrator. This change in procedure is designed to permit quicker action, save paper work and give greater administrative flexibility.

Diversion and export subsidy programs are somewhat more specialized than our purchase programs. Diversion programs, such as the development of new uses for commodities, diverting surplus supplies to secondary outlets, will probably take secondary place under present economic conditions.

Just a word about the Food Stamp Program. I know that you are familiar with its operations in the field and its general purpose. One docket is approved each year for this program. Commodities to be on the Blue Stamp List are considered each month. In this connection, consideration is given to the price and supply situation concerning the commodity and the appropriateness of the commodity from the nutritional viewpoint. Such considerations are, of course, important in connection with commodities purchased for the School Lunch Program and for other direct distribution programs. Needless to say, the nutrition problem of the unemployed could not be met today if only surplus commodities were purchased and distributed.

Most of our purchases are now made under a so-called "General Commodities Purchase Program" and then transferred against Section 32 funds if needed for school lunch or direct distribution. Similar transfers are made to Lend-Lease, Red Cross, and Territorial Emergency funds, or the commodities may be sold to the Army, Navy, or other Governmental agencies. The General Commodities Purchase Program is financed in the first instance by a revolving fund secured from the Commodity Credit Corporation. Legally, AMA operates as an agent of Commodity Credit Corporation in making these purchases.

Because of the great number of needs for which we are now making purchases, and particularly the great volume of lend-lease operations, our buying programs require much more long-time planning. Our problem is actually becoming one of food management. Plans must be developed to assure the obtaining of supplies to meet these various needs and to meet them when the supplies are wanted. In developing these plans, we must consider the effects of our operations on the whole price structure. There is little worry now about the reasonableness of producer prices. We must cooperate with the OPA in its price ceiling programs. We must buy in advance to meet lend-lease shipping schedules. This means that we must employ the use of special means of procurement, such as WPB reservation, allocation and requisition orders. In most cases we must be prepared to assume initiative in recommending the development and use of these WPB powers. Obviously, we are obliged to carry larger and larger stocks to meet our expanding requirements. We cooperate with the Army and the Navy to avoid in so far as possible the doubling up of stocks. We must avoid in so far as possible price competition with these other Governmental agencies.

Thus far, I have not mentioned AMA's programs as they relate to the Department's price support programs which are designated to secure expanded food production. Our purchase programs, together with Commodity Credit Corporation loans, are the means of meeting advance commitments made by the Department to secure expanded food production. Certain of the supplies which we buy are obtained from the Commodity Credit Corporation.

From the subject which was assigned to me for discussion, I am afraid that some of you may have been expecting that I would explain to you in detail the manner in which AMA marketing programs should be formulated or developed. A good

deal of this procedure is set forth in various administrative memoranda. You should be sure to secure copies of these memoranda. A new administrative memorandum is now being developed on Section 32 purchase programs. This memorandum is designed to show the proper functions of each of the various Branches in the development and operation of Section 32 purchase programs.

I realize that my remarks have been somewhat sketchy and that they may have left you confused. I have not discussed these programs from the viewpoint of our new regional set-up. I will be glad, however, to try to answer any questions in this connection which you may care to ask, if there is time for such questions.

DR. GOLD: What are the possible implications of it?

MR. HOLT: You mean so far as the regional work is concerned?

DR. GOLD: I was thinking rather of the current procedure by which nearly everything except the stamp procedure is handled by individual commodity dockets. We are trying to have some docket exclusively for direct purchase the same as we have for food stamps. What influence would that have on our operations?

MR. HOLT: It need not have any, depending on what is done. We won't have to go to the Secretary with so many individual commodity dockets or clear so many dockets through the Solicitor's Office. I think that the principal gain would be a shortening of the time between the development of a supplementary commodity program and the beginning of purchase operations.

DR. GOLD: I would like to put it another way. The new procedure will help locate bottlenecks. At least we cannot say the bottlenecks are between the Administrator's Office and the Secretary from now on. The time limit is 24 hours under the new set-up.

MR. HOLT: You seem to be assuming that there are some bottlenecks, Norm.

DR. GOLD: It is a fair assumption, Budd.

MR. HOLT: I think I can tell you something about bottlenecks. It relates to this question of change in the purpose of Section 32 programs. Purchases in the past were made primarily or only when needed from the producers' point of view. I don't think there is a full appreciation of the fact that purchases must be made for the School Lunch Program even when there may be little real need so far as producers are concerned. Part of our staff may not appreciate some of the changes that have taken place in this connection.

Fred V. Waugh, Assistant Administrator

I would say there are three points of view of what our job is in the A. M. A. both in Washington and in regional work. I would like to clarify. The first point of view I would say is that we continue to carry out whatever programs we have. The A. M. A. was set up a short time ago by combining three agencies - the Agricultural Marketing Service, the Surplus Marketing Administration, and the Commodity Exchange Administration. As soon as that was announced, of course we got busy making new organization charts and moving people around. Some people seem to think that our job is simply to do the same things in the same way as before, but under a new organization chart. I got some of that same feeling in listening to the discussion of the regional setup - that regionalization seems to mean to some people only drawing new organization charts, hiring a few new people, and changing our bookkeeping.

I would say the second point is represented by what Otie Reed talked to you about yesterday - doing a job of appraising. I hope all the regional offices will take an active hand in this work. We will not begin to do our job unless we have some intelligent appraisal of what our programs are accomplishing and some suggestions for improving them.

The third point of view goes beyond that. As I said, we have more to do than carrying out our present programs. Our job is just as broad as doing whatever needs to be done to improve the marketing of farm products. If you do not believe that is our job, I would like to read two sentences of the Memorandum Jim Crow referred to. The Secretary's Memorandum No. 994 (March 16, 1942) states "Effective immediately the A. M. A. will have primary responsibility for all action programs dealing with the physical distribution of farm products between the farmer and the consumer, including transportation, storage, processing, standardization, market organization and marketing facilities, - - - - - this Administration shall keep informed about all problems in this field, make such investigations as are necessary, and take whatever steps it can to make the distribution of farm products as efficient as possible."

That is a whale of a job and it is a job that you fellows in the regional offices have got to tackle and it is a more important job than simply carrying out our present programs. There is another memorandum - Administrator Hendrickson's Memorandum No. 4, supplement A. If you have not all read it, I would urgently request that you all read it. It states the objectives of the A. M. A. We should all be thinking about these objectives, because we are going to make a lot of changes, and what we do here in this war period may have some profound and lasting effects. I think it is very important that we keep in mind some long-time objectives of what we want done in marketing and that we be working out new, better, and more comprehensive programs.

Just a word or two about how that can be done. In the first place, most of these branches have some very good commodity marketing specialists and economists who are working on new marketing programs. Mr. Reed has told you about the Program Appraisal Division.

We have a policy committee which meets with Mr. Hendrickson once a week and discusses current issues and policies. That is about the machinery here in Washington for developing marketing programs.

I might mention a memorandum that most of you got from me. I sent out a memorandum inviting everybody to send in to me any suggestions they had for new marketing programs. The reason was that several economists in the A. M. A. have told me that they have proposed ideas which have been delayed and which have not been seriously considered. We need to get them before us. I got several memorandums and in that bunch were some that I think were very good, and we have some people looking into some of them and we have been doing something about some of them. I would think you regional people ought to encourage people to come in to see you and to talk over new ideas. There is a tendency for some marketing people to get into a rut; to think that we have to do things in a certain way just because we have been doing them in that way. It does not mean that everybody has got to be sending me memorandums. Most of you can work right away on those ideas and I would urge that these things be discussed with people that make the recommendations and you need not be in too much of a hurry to show why the suggestions won't work.

There is a tendency among economists not to want to get out on a limb. One way is not to make any analysis at all and the other is to hold back and wait until somebody starts something and show where it is wrong. We might have economists with original ideas and who are willing to submit them, and I think we have got to have these proposals coming along and to deal with the serious situations. In the regional offices, I do think it will take some experience to work out this long-time marketing program. I do not think it is simply a case of drawing a reorganization chart. I think it is more a point of view as to what your job is - what you are trying to do. From my own point of view I think the most important thing to do is to get to work on the development of an adequate and comprehensive marketing program for each region. I suspect that most of you are going to need one good economist. You will need someone with training in marketing and economics. We discussed that yesterday. The B. A. E. is closing up a lot of field offices and letting a lot of people go and perhaps that is a good source for us. There is going to be a lot of difficulty to find people that know something about this particular type of marketing but I think it is important that we do get someone that knows something about marketing out in these different regions. You might try to get some of the men that the B. A. E. are letting go.

There is one other thing - I think we are going to need some sort of regional marketing councils, which will be advisory groups, in which you would pretty regularly bring together a group of people that I think should represent some of the farmers, and college people in the area, some of the farm organizations, cooperatives and dealers. In some of these areas there are existing groups of that kind, and, where they are it would be better to use them. At any rate I think you should have groups of this kind. I do want to wish all of you luck, and I hope that you will get, as rapidly as you can, into this immensely important thing of improving our present marketing programs and developing better ones.

MR. KITCHEN: I would like to say that I agree with Dr. Waugh. Just to mention the matter of hogs, the O.P.A. has announced it is going to have price ceiling on live animals. That means we will have a maximum and a minimum and if everybody has to pay the same price on the same animal, what effect is that going to have on markets? If you have to pay fixed prices, you do not have to have skilled salesmen to get it for you, so we may see some drastic changes in marketing. It means the Government is going to see many problems coming up, particularly in handling farm products.

Buell Maben asked about marketing councils sponsored and financed by trade groups.

DR. WAUGH: I think I would be a little leary about getting money from organized groups in the trade. It is a little different from what I had in mind. If you take this trucking situation, I think we have been terribly slow. What we need to do, as I see it, is to work out some proposition for pooling trucks, and you would get into some difficulty on that sort of thing if you simply adopted a program promoted by trade interests. I have discussed that sort of thing with Thurman Arnold, and on the other hand, if the A. M. A. will take the responsibility and help work out a program that is approved by other agencies such as the O.D.T. the situation is different. I am sure we will get an extremely favorable hearing from him. I really had in mind something broader than a trade group -- some sort of council for pooling the best information and ideas in the area.

AGRICULTURAL WAR BOARDS

J. B. Wyckoff, Assistant to the Administrator

I had nothing to do with making this program, and I can assure you that if I had I would not have gotten up here to talk to you on two subjects as far separated as that of this morning and the one this evening. They are both, of course, very interesting to me. It was only a little over a year ago that the Secretary's memorandum, number 921, established the Department Defense Boards for each state and county. I don't know where the idea of these boards originated, but I know not long ago a representative of the British Ministry of Agriculture told us, the members of the Advisory Committee, about the activities of the British war boards, and I assume from what he said they have been operating for a long time. Ours have only gotten started, and I can imagine that we too are going a long way. For that reason they are potentially important, and actually have made a very good start, particularly in some states, as a good many of you well know, and will find.

From this description of war board activities, it is a rather simple setup in England. I asked him how many there are, and as I remember he said there were 70 boards in England proper, and 30 in Scotland. Seventy boards are a few more than we have state boards, but many less than the county boards. They know intimately their problems in London more readily than we know our problems in California. For that reason, probably, they have been giving their boards increasing responsibility regarding agriculture -- such responsibility that comes as war develops and needs increase. The war boards in England have practically full responsibility for telling the farmers in their county what they must plant, when he must plant it, what tools he can have for it, what he is going to pay for them, full rationing of everything in ways that, of course, we imagine are current in Germany and probably could never be true here. A responsibility of war boards here that we are approaching is the responsibility of rationing.

The Defense Boards became War Boards in about 6 months -- in December, I believe. With the amalgamation of three bureaus into AMA, our representation on the board became broader than when we had only an SMA representative. Originally, we were represented primarily by Distribution people because they were immediately available. Other membership was milk market administrators in those states where the milk and dairy industry predominated. With the amalgamation and establishment of AMA it seemed advisable to look into a broader field for representation. While not many changes have been made, we now have, with no representative at present in Montana, 28 distribution men, 11 dairy men, 7 from the fruit and vegetable branch, and 2 from the grain branch.

Our interest, of course, in this is to get a man to represent AMA who has broad experience in his state, who has knowledge of the agriculture of the state, and one who as far as possible is pretty well known in the

state. An intimate relationship with state agriculture is established by these boards. It has never been definitely determined whether State War Boards and County War Boards are simply policy-making coordinators in the very general word or whether they are operators. Up to now I think we can say that the State War Boards have operated in a rather broad field. They have had among their major responsibilities the victory gardens, salvage campaigns, bag conservation, truck and tire conservation, the warehouse situation, and a number of things of that kind. Whether it will spread further into other things I don't know, and I am not sure whether they can take it on.

So far as AMA's relationship with the War Boards is concerned, the main interest of regional administrators -- we want them to bring to us -- to Mr. Hendrickson directly -- any question that may arise in their district or that comes to them through the State or County War Boards regarding the marketing of agricultural commodities -- the kind of questions that are bound to develop increasingly. I think I am safe in saying that if in a certain area in that state, region, county or small section there develops surplus agricultural commodities for which there seems to be no immediate market, and that problem is dumped on the lap of a war board in that state, the first person to grasp it should be the AMA representative. What does he do with it? We are expecting that he is going to know the AMA representatives who are doing special work on marketing, but will keep in touch with them, and that he is going to see them. I think that is a part of his responsibility. There may be in that state a purchasing office, and if it had to do certain purchasing, it would be well to find out what they are going to do. They may have something in mind. If he isn't satisfied with the answer he gets and doesn't feel that it solves the problem for the present, we are anxious that that question be submitted to Mr. Hendrickson immediately. It will be transmitted to the commodity branch here, and I believe that as quickly as possible it will be acted on. Often nothing can be done and possibly nothing should be done. Our contact with the grass roots is through that man in the state and probably some other people who meet with or advise county war boards.

I don't believe that our representatives on the war boards can speak out in answer to everything having to do with marketing. That's too much to ask of them. As you are learning, the job is so wide and so changing he couldn't be expected to know the answer to all the questions, unless he happens to be a milk marketing specialist, for instance, and the question concerns the marketing of dairy produce. We want first to have a man who can represent us as broadly as possible, a man who is respected and who knows the state, a man who is willing to give time and thought to acquaint himself with the AMA people and their problems in the state, and a man who is going to be alert to bring to us the trouble spots and the questions and the problems we want to know about, because without them I think AMA will suffer, and agriculture as well. I of course think that increasingly agricultural marketing is going to be a major war board problem. I don't see how we are going to avoid it -- it reaches out so far. There will be production problems,

and there will be some side-line problems about the marketing of crops in states that have been asked for a steady flow of produce, and only by hearing of them in the field can we see them here in Washington.

For membership on the board we want the best man possible, so if you find in your region a man who looks like the ideal man to put on that job -- to sit on that war board -- if you think he is a better man than the other one, let us know about it. We will get a measure and compare the two. We have released a few men and there has been no resentment, since it is a hard job.

Mr. Maben: I am not quite clear as to the membership on that board. Is it made up of Federal agencies?

Mr. Wyckoff: In each state the representative is a principal field officer of each government agency. The membership of State War Boards is composed of AAA, BEE, Farm Security, Soil Conservation, Farm Credit, Surplus Marketing, AMS, Forest Service, Rural Electrification Administration, and the State Director of Extension. The Surplus Marketing and Agricultural Marketing Service men have been combined in one man.

Mr. Maben: That means we will replace two men there, or will leave one man on that board, and you want recommendations on that man?

Mr. Wyckoff: Yes. We have a representative on every board but Montana. If you find a better man than the present one seems to be, -- and I can give you the names and addresses of the man in each state -- consideration will be given him. We have had no complaints about our representatives. They do very well. They, like the boards, are some doing very active work.

Question: Do they have any regular meetings?

Mr. Wyckoff: They meet at least once a month -- in some states they meet twice a month. There are subcommittees engaging in considerable activity between meetings, and preparing studies and reports for the meeting itself. Our representatives appear on a great many of its subcommittees. Have you anything more, Norman, in connection with it?

Dr. Gold: No, unless it might be to emphasize two kinds of things: The first point is the importance of cooperating fully. The second is that the potential importance of this work makes the problem of getting the best man on the job extremely important. Even if the job isn't as big as you think, it is very important.

Mr. Wyckoff: Well, there is complaint that the boards are under the domination of AAA. Originally, it came about because AAA happened to be able to finance them. That is very important. The fact is, some of our own divisions in AMA hesitated to put some of our own field men on the boards because they said they hadn't the money to pay travel expenses,

and the men hadn't time. I think it was particularly because they didn't quite take the seriousness of the responsibility. The AAA has the chairmanship of every state and county board. I suppose a chairman is always important, and might dominate the Board, but I attended four or five county war board meetings in various parts of the country, and there was no indication of domination of any group. I attended a Memphis meeting when it had to deal with resettlement of ten farm families. As a resettlement job it went to Farm Security, with no question of anybody else handling it, except to help. When it is a question of marketing, Triple A can't dominate, as those question are out of their line. On paper it is very much an AAA organization. In practice, I don't gather that particularly, and I am very glad that I don't because I think Mr. Hendrickson's policy is the only sound policy at this time -- that we are all working together. Mr. Hendrickson is a member of the war board at the national level. There is a war board advisory committee, with a representative from each bureau meeting quite regularly. We are supposed to and we do gather from our bureaus any suggested material that we would like to have war boards make use of. When anybody in AMA has any ideas he would like to have applied through the war boards he brings it to me and I take it to the advisory committee. I have taken only two things so far.

Speaker: I wondered why we have an AMA War Board letter like the Department War Board letter.

Mr. Wyckoff: It was started because too many of the AMA state war board members knew very little about the broader activities of AMA. It was done to give them some material that could be used in war board meetings, so other members couldn't say to a man, "This is something AMA is doing," and he know nothing about it. We were trying to give some little picture of what was going on here.

Speaker: They're both coming out about the same time, now, apparently, and to a large degree they duplicate each other. However, I have found things in the AMA letter that were not included in the Department letter. The timing was right on it, and it just seemed to be very helpful to me. What do you think about AMA war board representatives getting together once in a while with the regional administrator, or should we send someone around?

Mr. Wyckoff: I think it would be very well for the regional administrator to get acquainted with our war board representatives. They are pretty important to AMA. Whether you should bring them together or whether you would prefer to meet with the board and them in your journeys around the region I couldn't say. I think it would be fine if you happened to hit the town when the board was meeting. You'd see our men in action.

Speaker: Do we have an AMA man on county boards?

Mr. Wyckoff: None as members. Some are attending meetings, and we are glad to have them do so.

THE SOLICITOR'S OFFICE AND AMA IN THE FIELD

Ashley Sellers, Associate Solicitor

We, too, have been reorganized. Was it Milo Perkins who recently said that so far as his agency was concerned they had undergone a number of reorganizations - that when they stopped reorganizing they would probably go out of existence. Also, to satisfy the legally minded here, you will recall that Thomas Jefferson was an advocate of having even the Constitution amended at least once every twenty years or every generation in order that those in each generation should have an opportunity to participate in the document that governs their lives. However, I am sure that reorganization in Government agencies is not based upon the same reasons that underlie revisions of the Constitution. Governmental reorganization is done not so much to please the employees in the agencies, however much you would like to do that, but in order to put into effect a more efficient organization. Our reorganization has certain similarities to that involving the new regional administrators of the **A.M.A.** in that we too have recently changed our field organization. Before I go into that, I would like to talk just a moment or two, however, to outline for you the present organization in the Washington office, with particular reference to that portion of the Solicitor's Office which serves A. M. A. On July 20, the present system went into operation and I have with me and would like to distribute among the regional administrators who are present, and to others so far as the supply lasts, the basic memorandum which puts our reorganization into operation. Without boring you with the complete details, I would like to direct your attention to the chart opposite page 2, which is a chart of the organization of the Department of Agriculture in line with that which went into effect last December, and also following that, to direct your attention to the chart on page 9 which gives a picture of the relationship between the administrative agencies of the Department and the Solicitor's Office in terms of organization.

You will notice that, with respect to the A. M. A., two divisions of the Solicitor's Office are designated to perform legal work for the Agricultural Marketing Administration: the Regulatory Laws Division and the Commodity Purchase Loans, and Distribution Division. Briefly, that is, the regulatory work is in one division, and non-regulatory work is in another division. These two divisions serve not only the A. M. A. but serve, in the one case, also the Commodity Credit Corporation, which has these days so many legal problems, in common with those in the A. M. A. The Regulatory Laws Division, while serving the A. M. A., is also serving some other Bureaus of the Department which engage in regulatory work - Bureau of Animal Industry and Bureau of Plant Quarantine being two bureaus served by the Regulatory Laws Division other than A. M. A. The Regulatory Laws Division has probably greater diversity of functions than it should have considering the number of its personnel and the funds available to it for travel. For example, the legal staff of this Department engaged wholly in regulatory work has to deal with laws similar to those administered by the Interstate Commerce Commission, the Federal Trade Commission, the Bituminous Coal Commission etc.

Nevertheless, there are so many problems common to all regulatory laws as to justify, and, in fact, virtually necessitate, that the same personnel devote itself to handling those legal problems. I do not believe that the personnel of the regional offices in A. M. A. are going to be very closely concerned with the work of the Regulatory Laws Division of the Solicitor's Office, either here in Washington or in the Field, at least until, or shall I say, when, as, and if, the new regional administrators will have under their jurisdiction all of the work of the A. M. A. within their respective areas. The division with which you should be concerned is the Commodity Purchase, Loans, and Distribution Division.

At this juncture I would like to introduce to you the Chief of the Regulatory Laws Division, Mr. Nutting - I would like you to stand, Mr. Nutting -- and the Chief of the Commodity Purchase, Loans, and Distribution Division. I also asked to come with me this morning Mr. Hilbun who is the Associate Solicitor in charge of General Legal Services and Administration, and who is, at present, in the absence of Mr. Shields, acting as Solicitor. I would like for Mr. Hilbun also to rise so that you may know him.

As I understand the work of the regional administrators in the field - they would be concerned - so far as legal problems are concerned - almost entirely with section 32 problems and with the lend-lease and other purchasing activities. It is difficult for me to see to what extent the regional administrators would have any occasion immediately to be concerned with legal problems in connection with transportation, as I believe that work will be largely centralized here. However, that may be, the new regional offices of the Solicitor are not supposed to devote themselves primarily or exclusively to any one legal matter. Heretofore, there were 43 of what might be termed regional offices of the Solicitor, but they did not represent the office of the Solicitor as a whole. Each division of the Solicitor's office had certain local people who represented them in the field, just as has been true, and still is, in large part, true, with respect to the A. M. A. For example, in Philadelphia we had four regional offices, consisting of a group of attorneys who served the Farm Security Administration, a group of attorneys who served A. M. A., a group who served the Department general in title and land acquisition activities, and some attorneys engaged in Forestry Service work. Similar arrangements existed in Milwaukee, Denver, San Francisco, and other cities, though not to the same extent. It seemed particularly appropriate that the several offices of the field should be made part of the Office of the Solicitor at large. Whether the new arrangement will prove to be advisable from the standpoint of economy or efficiency of operations is as yet only a presumption. We see no reason now to believe that the presumption will not become an actuality. At any rate, whatever the reasons, we now have 11 field offices for all purposes, excluding that in Puerto Rico, and they are located in the following places: San Francisco, Portland, Denver, Dallas, Lincoln, Milwaukee, Indianapolis, Montgomery, Little Rock, Raleigh, and Philadelphia. These offices, as I have said, represent the Office of the Solicitor as a whole and, for the most part, all of the attorneys working out of those offices are stationed in those particular cities. There are some exceptions. For example, included in the province of the Montgomery office is Atlanta. There is an attorney stationed in Atlanta who has been engaged primarily in Forest Service work. He will remain there. Similarly in Memphis and in St. Paul, there are attorneys who are attached to the regional offices in other places, but they are located there because they have been there and are engaged in a specialized type of work that seems to require that they shall remain.

I am a little sorry, looking to our own shop, and if you please, I regard myself as a part of the AMA shop, I am a little sorry that the AMA field reorganization did not come along before we reorganized the field forces of the Solicitor's Offices. I am not sure it would have made a great deal of difference, but at least it would have made some. However, that may be, we have our regional offices in San Francisco which would correspond with the regional offices of the AMA. Similarly in Dallas and in Denver. The Atlanta office of AMA, on the other hand, will be served by two of our field offices, namely our office at Raleigh and the one at Montgomery. Our office in Milwaukee would serve, if the service had to be solely through our regional office, the regional administrator in Chicago and probably also the AMA office at Des Moines. The point is, we have not yet had time to work out just exactly which of our regional offices will serve the regional administrators. I should imagine that a regional administrator in, say, Atlanta or in, say, New York, or Chicago, or Des Moines would be somewhat disturbed over the realization that he may have to rely upon attorneys who would not be in the same city with or close to him for reference or consultation purposes. That is the situation that will simply have to be worked out. The simple fact is that your reorganization has come along and we did not anticipate it and we now have to work out arrangements accordingly. I am asking, however, that, pending the complete settlement of each of these arrangements, this be regarded as one more of the regional administrator's problems that he is going to have in setting up his organization and that it not be regarded as something that cannot be settled. Where we do not have a regional office in the same city as the regional administrator, the clearest answer would be that we should station an attorney or attorneys in that city for that specific purpose. Just whether that will be the decision in every instance will depend, of course, upon the volume of work that would be required of that attorney or attorneys.

I want to touch on one further matter and that is with respect to travel. One of the precipitating reasons for putting into effect our reorganization of field offices at this time, was the possibility that thereby we could curtail travel expenses. We are hoping that this can be accomplished by delegating, to a much greater extent than has been done, to our regional attorneys work which has been performed from Washington. I suppose the hardest thing to delegate is regulatory work. Incidentally, I think the most expensive legal work there is is regulatory work, because there are certain cases that require a larger amount of travel than would seem to be necessary. Could we, for example, rely upon a regional attorney in Denver, who has never had any experience in holding hearings under the Packers and Stockyards Act, or under the Marketing Agreement Act -- could we hope within a reasonably short period of time to train those men to the extent that they can substitute for men sent from Washington? Certainly a large part of it can be done. Just exactly what part can be done is purely a conjecture. It is a process that cannot be determined once for all. After studying the plan, I think, so far as the legal work of the Agricultural Marketing Administration is concerned, that there is a greater possibility of delegating work to the regional attorneys than there would be in the regulatory field and especially is that true with respect, say, to food stamp work. Now one thing that I think the Administration people have not always realized is the fact that before a case can be prosecuted in court, the case has to be cleared through the Department of Justice. The standard arrangement -- not merely with respect to the food stamp or Packers and Stockyards Act litigation, but throughout the Government -- is that, when a case arose in the field, it must be worked up in the field by a regional attorney working with an investigational staff or sent in and worked up in Washington. It is then referred by this Department to the

Department of Justice and the Attorney General, to be in turn reviewed; thence brought for the first time to the attention of the District Attorney for prosecution. How much simpler would it be if you could go direct from the field to the District Attorney, and have the case prosecuted, especially where the subject matter is not so complicated or specialized in subject matter as to require that it be reviewed by a staff here in Washington. That, of course, is our hope, and, if it can be done, that is what we propose to do with respect to the food stamp plan litigation. Until it is done, however, there will remain the necessity for cases worked up in the field to be referred to the Department, thence to the Department of Justice, and in turn, to the District Attorneys. We are hoping that, with respect to the Food Stamp Plan, a large part of the work which our regional attorneys have been doing in connection with such programs can be completed in the field and thus eliminate in some part the expense which has been incurred in referring the cases from the field to the A. M. A. here, and in turn reviewed by the Solicitor's Office.

I was unable to be present when Mr. Kunkel talked to you the other day and I am not too sure just how far he touched upon the work of the lawyer under the Food Stamp Plan, but I am sure that in one way or another this has been brought to your attention. I do not believe we want to discuss the details of enforcement here, but I have one point I would like to discuss. It has been customary, I am told, for cases to be worked up by Investigation Division, and, in more urgent cases, by the staff of the Compliance Section in the field; thence forwarded through the regional director to the regional attorney. The attention paid to those cases by the regional directors can hardly have been very close and that, pretty largely as a matter of course, the investigators reports have come to the desks of the regional attorney without any administrative determination as to whether the cases should or should not be prosecuted. The function of the regional attorney has been, in part at least, not only to review the cases to see whether they would stand up in Court but also to determine whether it is administratively desirable to prosecute if whether the cases would stand up in court. I wish to call to your attention, however, that such procedure is quite an exception with respect to the handling of cases of the Department in general. It is the rule in regulatory work that a bureau will make the investigation and, after reviewing the field investigator's report, determine whether it wants the case prosecuted. Then it is referred to the Solicitor's Office, whose sole function is to review from a legal standpoint to determine whether it can be prosecuted. I hope, therefore, that the regional administrators will endeavor to see to it that proposed food stamp plan prosecution will be reviewed, and, before they are referred to the regional attorneys, there will be an administrative determination that the cases should be prosecuted. If there is a determination that there should be no prosecution, do not refer it to the regional attorney. Where cases are referred to him, the regional attorney will review them and, if he thinks that the evidence is inadequate, he will ask that the investigations be made more complete. If he thinks that a case is ready for prosecution he will refer it here to the Solicitor's Office to be in turn sent to the Department of Justice and thence to the District Attorney. As I am saying, it would be our hope to curtail sending these cases to Washington at all, and if we can in some way obtain consent that these cases should be dealt with in the field entirely - never referred to Washington or to the Department of Justice at all - or at least if they could be referred from our regional office direct to the Attorney General that would save a great deal of delay. What we can arrange with the Department of Justice, however, is not yet clear.

One other thing with respect to travel -- our appropriations for travel are alarmingly low. Each regional attorney has a budget and he must stay within that budget. That budget is made up on such a basis that, for practical purposes, we must ask the administrators to call on the attorneys only when absolutely necessary. It is no longer possible, perhaps not unfortunately, for administrative people to say to an attorney "We want you to go with us, to do so and so, and if you haven't any money we will pay your traveling expenses." That is not possible, except where that travel comes within the limitation of the funds that have been determined may be used by that office. For example, under the Packers and Stockyards Act, we travel on administrative funds. Last year we used for that purpose \$1500. That is the amount that we had allotted to us for that purpose this year, and, under the existing arrangement, if, for example, something should happen that it would run beyond \$1500, unless something is done, we cannot travel. I am giving you this example to make it easier for the regional attorney in your dealings with him - to have you understand just what his limitations are.

MR. KITCHEN: Any questions?

MR. CAPPELMAN: I have something on this travel situation. The other day we asked an attorney to travel to Baton Rouge so that he could become familiar with the revised state contract. He said he had but \$1500 for all his lawyers to travel on for a year, and he had a letter from you indicating that we could pay that travel expense if we would. I told him we would like to but I did not think we could; that if he would pay it this time, we would look into it when we came up here. If he has only \$1500, I doubt if he will ever be very much good to us in the field. We needed help and advice while there. We could not go back and tell him what was said.

MR. SELLERS: There are going to be many occasions when the attorney should take a trip, but, under the present travel arrangements, that would not be possible this year. It is true that the regional attorney cannot use administrative funds for that purpose, and he must travel on his own budget except in cases where last year we had to use of administrative funds. That is not the case with respect to food stamp work.

MR. CAPPELMAN: There is another point I want to get clear. You named over all the places that these recommendations have to go through. Of course, you know how long that takes, and it is far too long. In some cases, they get a grand jury to fix it up. I do not know how they fix it up. They get pretty quick action. What about that?

MR. SELLERS: The District Attorney is always charged and authorized with respect to any violation of a law that comes to his attention to prosecute the case, except that they are instructed by the Department of Justice that, where there are violations of laws which are administered by a given agency of the Government rather than general criminal laws, general crimes, such cases should be routed through the respective departments of the Government and thence referred to the Department of Justice. In your particular case, you have a general statute which is not a statute that is administered by the Department of Agriculture, consequently I suppose a District Attorney could stand his ground if he were so minded, with respect to Department of Justice instructions, and say that it fell within his general jurisdiction to prosecute such cases. That, however, is not the usual rule and is not the practice of most District attorneys. I can only say that, insofar as our regional offices are concerned, they

are not authorized to deal directly with the district attorney, until they refer the case to Washington. Have you anything to say regarding this point, Mr. Kunkel?

MR. KUNTZ: I can add this - one exception to the Attorney General's instructions - if an emergency exists, the United States attorney is instructed to handle the case. I think we are bound by departmental policy - certainly the Solicitor's Office is with respect to its province, and that you investigational people are similarly bound by that policy to not bring these matters to the district attorney save in an emergency - whatever you define as an emergency.

MR. MABEN: We have a direct distribution program, and sometimes there may be some dirty work on the part of "cooperating" people, but as I understand it, under our contract, we cannot do much about that except to work up the case and hope that the State will take it up and do something about it. I was wondering if our contract should be changed.

MR. SELLERS: We have had the problem for a considerable time as to just where title should vest and to what extent the Department can retain some semblance of title of a commodity after it has been placed in the hands of State agents. We have tried to work it out so that title to the property would come back into the Department, but I believe under the present arrangement the decision is ~~that~~ we break it clean and once it goes from the Department to the State agency they have it for all purposes.

MR. WHITE: I would like to mention Philadelphia. We have been having travel problems.

MR. SELLERS: I believe the situation in Philadelphia is the other way around; that is you have wanted to use administrative funds for travel.

MR. WHITE: We did not want to argue about which funds to use - all we wanted was an attorney.

MR. SELLERS: We should have started out with this statement. I am pretty certain that the value of the Solicitor's Office to the Department is going to be curtailed by limitations on travel.

MR. KITCHEN: I would like to make an observation on that travel. I think it is an important thing to us and you can see what has happened to the Solicitor's Office. In the case of A. M. A., a 10 per cent reduction in the travel appropriations this year will be required and under section 32 about 12 per cent. There is not much we can do about it. Perhaps we are getting off pretty well at that. When the appropriation bill was on the floor of the House the sentiment was such that they actually passed the bill reducing travel from 16 to 8 million. They thought our travel was ridiculous and we were all classified as "Pullman farmers", etc. But we are definitely limited and you should scrutinize very carefully all travel because even if a particular trip is really essential it means that somebody else may not have enough money to travel on something that is more essential, and whether we like it or not we have to make up our minds that that is just what we have to do about traveling.

COOPERATION WITH OTHER AGENCIES

C. W. Kitchen, Associate Administrator

I would like to set aside some time for you to ask questions. If there are no immediate questions, I would like to take just a few minutes to cover one point which I think would be of interest.

I was not here when all of the branch heads talked to you, but I suppose that most of them mentioned cooperative agreements with the States. We now have 366 cooperative agreements with State Departments of Agriculture, State Bureaus of Markets, State Agricultural Colleges, boards of trade, chambers of commerce, etc. 248 of these agreements deal with inspection work. On the list of funds that was given to you, I think you will find something like \$468,000 appropriated for inspection work. Obviously, we could not inspect 600,000 carloads of fresh fruits and vegetables, nearly one billion pounds of meat, 300,000,000 pounds of cheese, as we did last year, as well as a long list of other commodities, with that amount of money.

We have authority to enter into cooperative agreements with such agencies as I have mentioned. They are of two types. In some cases the inspectors are employed by the State, licensed by AMA, and their work supervised by AMA. The applicant pays a fee for each inspection, which is collected by the State or cooperating agency and used to pay the salaries and expenses of the inspectors, and to reimburse us for supervision costs. There are probably five thousand inspectors who are licensed, and, insofar as their signature on a certificate is concerned, they are representatives of the Secretary of Agriculture, the same as you and I.

Another type of cooperative agreement is one that we may enter into with Commissioners of Agriculture or semi-public agencies. Such an agreement is very broad in its terms and merely sets forth that the cooperating party is interested in the inspection of farm products and in the marketing of them by grade. The agreement then goes into considerable detail in setting up a trust fund; that is, a trust fund in the United States Treasury. Then the fees paid to us for inspection are deposited into the trust fund, and we can use them to pay the salaries and expenses of the inspectors. Both kinds of agreements are used. For some kinds of work, the latter is the better arrangement. It provides more flexibility in operations.

I wanted to bring to your attention this matter of agreements with State officials. We have agreements with every State in the Union. You will have occasion to talk with State officials regarding them and you should be familiar with these arrangements. Some Commissioners of Agriculture in the States are not entirely satisfied with their relationship with the Department. So far as their relationships with AMA are concerned, especially with such activities as inspection and market news there is little difficulty. Some have a feeling that they have not been permitted to take sufficient part in the various farm programs of the Department.

Some feel they should have been made members of the State War Boards. Some feel they should be taken in on some of the Section 32 programs.

Many of the State marketing agencies are small. Some of them have very limited funds for marketing work. In some States, however, very good and active bureaus of markets, or Divisions have been developed.

There is a growing interest on the part of State officials in marketing work. Two or three years ago the National Association of Commissioners, Directors, and Secretaries of Agriculture sponsored a bill which became known as the "Cooley Bill" because it was introduced by Mr. Cooley of North Carolina. That bill authorized an appropriation of \$5,000,000 to do additional work in the field of marketing. The principle underlying the bill was similar to the appropriation of Federal funds for Extension work in the States. The Commissioners of Agriculture felt that similar Federal aid should be granted in connection with marketing work. The purpose of the bill was to extend and localize several of the service activities, such as more information as to the effects of sudden weather changes on crops and prospective or current market supplies, due to floods, freezes, winds, etc; additional market news by collecting more information as to local prices and conditions, and a wider dissemination within the States of market information as to local and national markets; expansion of inspection work; and the development of extensive demonstrational work among producers and shippers as to better methods of packing, packaging, and handling farm products through the marketing system. This is an important field in which both Federal and State agencies can do good work.

There appeared to be no disagreement with the objectives of the bill, but certain of the farm organizations took the position that such legislation in effect established another grant-in-aid program and that, while they had no objection to the use of Federal funds for the purposes outlined, they took the position that additional funds either should be appropriated to Federal agencies or made available to the Extension Service for work in the States. Because of the failure of the various groups to get together on a method of carrying out the legislation, the bill did not pass.

The work of many of the Commissioners of Agriculture is primarily regulatory. They administer many State laws. A number of them also have developed extensive service activities, such as market news and inspection programs. Some argue that there is conflict and duplication between marketing work carried on by State Commissioners of Agriculture and marketing work conducted by the Extension Service. The field, however, is broad enough for all agencies. There is plenty of work for all of us to do, but it should be coordinated so that the combined resources of all may be used to the greatest advantage. So far as AMA is concerned, with a few minor exceptions, its relationships over a considerable period of years, both with the State Commissioners of Agriculture and the Directors of Extension, have been good. We want to keep them that way.

These State agencies have contributed much to the development of much of the service work now carried on in AMA. A number of the States have taken an important part in the development of the market news program to its present status. It would have been impossible without their help to expand as quickly as was necessary the inspection work required by the present heavy purchasing program with Lend-Lease funds. Existing cooperative agreements with the States made it possible to expand the inspection organization quickly to meet this problem. Many of the State people worked hard on developing the inspection work to its present status and are entitled to much credit for this achievement.

As a matter of policy, I am strongly in favor of cooperating with State agencies. Most Federal activities have a tendency to be too far away from the local people and local conditions, and to the extent that we can tie Federal activities in with those of local agencies, it is desirable to do so.

One of the Commissioners said to me the other day that he did not see why we could not work out a cooperative relationship with him in connection with our direct distribution work and for the School Lunch Programs. He stated that his office had already done a great deal of work in promoting and encouraging the development of the School Lunch Program, and he thought there should be some recognition of that cooperative effort.

If you have not obtained the full picture of our cooperative relationships from the branch heads, this is a subject you want to get into and get thoroughly acquainted with. I shall be disappointed if this move to regionalize the field work of AMA does not result in our having regional administrators who will be looked upon as outstanding marketing leaders in their regions, and if the various marketing groups do not come to look upon us as being the people who are taking the lead in marketing work. That is one of the things I think the regional administrator should devote most of his attention to because the future of AMA is going to depend upon the support we get from the public, and we want to see to it that we are in the lead when important readjustments take place in the field of marketing.

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MAJOR PROBLEMS AHEAD OF A.M.A.

John B. Canning, Economic Assistant to the Administrator

I am no prophet. When I appear to indulge in prophecy as to what is ahead of A.M.A. I shall really be speaking of a military certainty and of the present meaning of that certainty for A.M.A. Elmer Davis recently told the nation that "we are only ankle deep in the war". The future military certainty is that we shall soon be in it to the neck with large numbers of men in full force somewhere - whether we in the A.M.A. are ready or not.

That early future military certainty creates present certainties for the A.M.A. for which we are not ready. It is these that create the major problems ahead of A.M.A.

Let me sketch the course we have come through. When the fighting started in 1939 the United States first convened an Advisory Defense Council. To that Council were appointed spokesmen for our principal economic groups - agriculture, labor, transportation, finance, big and small business. The Council worked out major lines of policy with respect to interests of these groups: they did little organizing and less producing. O.P.M. and a host of other independent agencies followed. They did a great deal of organizing for production but little producing except where they found idle excess capacity in large concerns. S.P.A.B. followed. They directed the building of many new plants and expanded the use of old ones, but did little to convert American industry from a peace-time to a war-time economy. After Pearl Harbor W.P.B. was created. They have done a magnificent job of converting industry and of plant expansion and have done a great job of actual producing.

But neither drafting, training and arming of men nor policy making nor organizing nor converting nor producing nor even all of these put together can win a great war. We have as yet no overall organization for conducting a war. We must and will have one. When we do, all the organizers, converters and producers must become the servants of those who are charged with actual waging of war.

This is where A.M.A. will come in. Regardless of the swings of battle fortune on old fronts, regardless of when or where new offensives start - regardless even of who starts them - it is going to require amounts of food supplies enormously greater than any we have marshalled and shipped or than we are now prepared to ship. This is major problem number one. While we are accumulating the new shipping to move a great army into fighting position we shall have to move great pools of supplies as far forward as we can - to Britain, Russia, Egypt and to any other points where those supplies can be used or defended.

The advance stockpiles are a necessity just because it is impossible to move a great army and all of its supplies in a short time - no matter how many ships we have. Even aside from the enormous daily rate of use and of war wastage of supplies per man, no prudent commanding general wants to start a critical campaign on a new front until he can have direct control over at least six months' supplies directly behind his lines. The fact that we are short of ships and that it will be harder in this war than in the last to land troops and supplies, and protect supply lines - all these grim facts make it all the more necessary to push supplies now into advance bases. Only thus can we shorten the final water jumps enough to be sure that our ships will last the war out.

Is A.M.A. now ready for the enormous job of building food stockpiles overseas behind the lines of our allies and of our own new army? Are we ready to do this in addition to the hand to mouth supply job we are doing now? I ask these questions. It is not necessary for me or for you to answer them in words. A.M.A. must and will answer them with deliveries.

Our problem number two is one of recruitment. Too large a proportion of us in A.M.A. in the past came from farm backgrounds only. Now that we are becoming painfully aware that farmers do not produce food but only food materials, we are becoming aware that we need help from those who manufacture and pack and store and ship foodstuffs and even from those who prepare and serve foods. We need to bring in men who have distinguished themselves in this two-thirds of our food supply economy that we, in A.M.A., have neglected. We need especially to have the advice and counsel of real military supply experts. Only when we have, in our policy forming and program directing staff, men who know the whole range of food supply operations from farm to dinner table and mess kit - only then can we hitch A.M.A.'s pulling power to the whole food supply train and keep all parts of it moving at the same pace.

Problem number three is procurement. It is my judgment that A.M.A. has done, is doing and will do a magnificent job of procurement. In its several parts the procurement work of the Army and Navy and of other Federal Agencies has also been good. But even now the lack of central control is keeping our total national procurement from being even good. It is not enough for all the parts to be excellent: they must fit one another if the whole job is to be excellent. At present no man and no agency has the total responsibility and the corresponding authority. There is too much aggregate buying against the market and too many failures to buy with the market.

No nation in war has ever had a really good food procurement record without centralized power and authority. Only thus is it possible to get the gear ratios right between growth on farms, processing and packing in factories, storing in warehouses, movement by rail and ship, and deliveries to hungry men in battle areas, in munition producing areas and in the indispensable civilian occupations. Is the Department ready for such an assignment? Is A.M.A. ready for its role in this? Is any other agency ready for the job? These questions have to be answered - with good or bad answers.

Problem number four confronts us with our job in civilian supply. The Department and A.M.A. did a great job in stepping up farm production of meat animals and of other foodstuffs high in animal proteins. The ballooning of prices for these is all the evidence we need that our total supply at the farm level is already physically inadequate to satisfy the aggregate demand. What we did was good but it is not enough. We learned the hard way that the setting of retail price ceilings, though fairly effective as to price movements, is not enough; for it can make our short supplies run through the market faster than ever. All the hard problems of physical allocation and of rationing are still to come. Is A.M.A. ready not only to advise on these matters but to step in and operate? We could be asked to do so. If we should be asked we had better have good operating answers ready.

There are many other jobs ahead of A.M.A. It is true that they may not be exclusively ours but we must concern ourselves with them in their entirety. If a job that must be done fails to be done well in any part, then all concerned with every other part must, in some sense, fail also. The character of a job, not theory about administration, imposes the conditions to success.

For this reason, A.M.A. will continue to have a sore problem of coordination with other agencies. Thus far A.M.A. has often come forward in time with many good suggestions. But, because there is not yet a means of making swift decisions and of prompt adoption of operating programs where several agencies must act in accord, we have made some apparent failures. For example, A.M.A. proposed, in time, a program of food dehydration. By the time all the coordinating job was done there was not enough time left to build all the plants necessary to catch this year's farm products. This is not said in criticism of any other agency - any more than of A.M.A. It is said only as a fact for which a better fact must be substituted in the future. And A.M.A. - equally with all other agencies concerned - must help to find ways of shortening the time between the adoption of an idea and the actual beginning of operations to make the idea work as part of our warfare.

You regional directors will have a most important role to play in all such problems. The whole job cannot be done in Washington. It has to be done on the ground all over the United States and all over the world. You will see some problems coming in your respective regions before we do.

I do not know just what qualifications were stressed in appointing you. But from meeting you here I will guess that you were picked, in large part, as men with enough initiative and gumption to raise hell with us in Washington when, from where you work, we seem too slow or to be moving in the wrong direction. At any rate, I hope you will. But please do not raise hell with us about things you can do yourself in your own region. We also have work of our own to do.

Certainly you were all picked because you have good records. You have been brought farther forward in A.M.A.; and A.M.A. also has a good record - none better. But your appointments were not rewards for work done and they were not to reflect prestige on us for what you have done. You have been asked to share with us harder work and greater responsibility than has ever fallen to your lot before - or to ours.

OPEN DISCUSSION

MR. HENDRICKSON: Let's find out if there are any questions. Any kind of questions.

QUESTION: What about money?

MR. HENDRICKSON: Well, we've got several kinds of money, and when it comes to the kind of money that is involved in lend-lease, we've got quite a lot. The new lend-lease bill is getting shaped up now - probably go in in October. In the case of Section 32, in addition to the customs receipts amounting to \$131,000,000 to \$132,000,000, reappropriated funds total forty-four and one-half million. With respect to the forty-four and one-half million the Budget Bureau is proposing that the President sign a letter impounding fifteen million. I don't know how serious that is. We have two or three possible programs about which there is some uncertainty but which we might be called upon to have later.

It has been decided that we are not going to use Section 32 money for subsidies in connection with price ceilings. We're going to use Commodity Credit funds for subsidies. We may have to administer subsidy programs. Jack Hutson of C.C.C. will have the primary responsibility for determining subsidy programs and we will work with him on the specific activities. We'll probably be pushing on fruits and vegetables, milk, and livestock, where we have a pretty close relationship with producer and marketing groups. We can expect initiative from ACAA on corn and cotton and other basic commodities and some others. We will work with AAA on many of them.

As far as Section 32 money is concerned, it is quite limited of course. While we like to always have lots of money, our expenditures for surplus buying are not running very heavy. There will be more surpluses in the fall, but not a tremendous burden.

We want to have a school lunch program reaching 9 million children this winter. We can't reach 9 million throughout the school year, but we don't want to hit 9 million just for a day or two, either. We will have to buy a lot of commodities, and have given assurance that we will have commodities for school lunches. Some states are going to be a little bit slow in handling distribution of commodities on the ground of expense. But we've got to insist on their handling school lunches as well as stamps with the possibility of withdrawing stamps if they fall down in commodity distribution.

MR. CAPPLEMAN: You mentioned that if an area wants to withdraw from the school lunch program, we withdraw the stamp program. What if they want to withdraw the stamp program?

MR. HENDRICKSON: What do you think?

MR. CAPPLEMAN: We had that thing come up in our region. I think before you could say offhand that you can take the program out - we ought to try to find out what is at the bottom of the request. As an illustration, we had a county in Mississippi wanting to withdraw from the food stamp program. In our own mind and from information available, we knew that that particular

county needed the stamp program badly. There were a low of low-income people who would suffer if the stamp program were removed. Then we checked into why the persons of this certain county wanted to take out the program. It developed that two members of the Board of Supervisors were big plantation owners and that they were using the food stamp program to benefit their commissaries. We do not permit commissaries to accept our stamps now and these people took personal exception to it and said they wouldn't have the program. We went to the people and told them that if they took out the food stamp program which they recognized the need for, we would not permit them to have the school lunch program. They immediately agreed to carry on the school lunch program and the food stamp program.

MR. HENDRICKSON: The policy we have been following is this: the school lunch program must be retained or we withdraw the stamp program. Withdrawing direct distribution or switching the stamp program to direct distribution - we're leaving up to the regional offices and the Distribution Branch.

Q: Why do they want to give up school lunches?

MR. HENDRICKSON: Because of the cost of distribution. In no instance can they withdraw the school lunch program and retain either the stamp plan or direct distribution. Quite a number of states in the West have a state-wide stamp plan program. In one State it operates from one central issuing office in the state capitol. If they pull out of the school lunch program, they can't have the food stamp program. They cannot have either if not both.

Q: What happens when you have an isolated county and actual transportation costs exceed retail value of commodities? That is going on at the present time.

MR. HENDRICKSON: Some adjustments may have to be made in those cases. It does seem awfully silly to make people waste tires and workmen in an uneconomical operation, and we are subject to justifiable criticism. There are quite a number of commodities distributed for school lunch which can be distributed on a 30 day basis. In some instances we will have to expect increased local cooperation in finding means of transportation. There may have to be further steps too.

We want welfare agencies to make the school lunch program part of their program as well as part of ours. We don't want to be too possessive of the school lunch program even though we initiated it and the Department promotion of commodities comes from us. Let's keep on making it a community project in which lots of other people can get psychic returns out of it.

When it comes to money for stamps, there will be less money available. We are in the throes of going through the budget, but it hasn't been settled. We're going to have to make some adjustment in the stamp program. Our final determinations will be made on that soon. There is a group here working on that consisting of Charlie Kunkel and his people, Norman Gold, and Otie Reed, with Fred Waugh acting as chairman of the group.

One thing I'd like to call to your attention. Frankly, the program doesn't have the interest or push right now that it would have otherwise. It is quite dangerous to make changes that are not pretty darned well supported because that might blow up the program. We cannot anticipate what is going

to happen. Participation may go down a little bit more, but we don't want it said that we killed the program. We are not looking for the demise of the stamp program. It is extremely important that we keep it. I think we should keep the skeleton program going - because it probably is one of the simplest and the best ways of meeting the problems that may develop when national income drops off, farm prices drop and the number of unemployed increased.

This distribution program has lots of backing, provided it has been kept in good shape. It is important that its reputation be kept high. This is very important from the standpoint of the field.

With respect to direct distribution, as I said a little while ago, we are not buying much surplus right now. At the same time it is important to remember that in areas where there is no stamp program many people are up against it. They are not getting a square deal, in my opinion, relative to stamp program participants. It doesn't mean we should spend absolutely equal amounts - it should be considerably less for direct distribution, since the programs are fundamentally different.

I look to the period in which the State and Federal Governments will assume certain basic financial burdens regarding underprivileged people, so that we could get away from the commodity-only business. How much expansion of consumption do we get as a result of it?

I wonder if we can ever have standards for direct distribution participation equal to those which have been developed in connection with the stamp program. With lots of effort and push certainly we can. And if we do, each person will be able to get more commodities.

It is going to take quite a bit of effort to keep the public aware that the problem of unemployed and underprivileged does exist. Old people have no chance for employment, for one thing. Able-bodied who are employable have a seasonal problem. The unemployment Negro group is still very large. I am told that in Chicago the only people on WPA are Negro.

With respect to other funds, the AMS group of funds and the old CEA fund have both been curbed a little bit, but I think, generally speaking, in the case of inspection programs, the amount of reimbursable funds is probably larger than it has been for a long time. The volume of work is great even though the amount of appropriated funds is somewhat lower. Mr. Mehl's funds got cracked a bit. Another effort to inject life and support will be made this winter, we hope. I think CEA needs more sex appeal. I don't know how it could be done, but I think that is the trouble right now. We'll have to call on some of the experts here.

I wanted to mention school milk. As many of you know, we have converted that over to a diversion program with a view to simplification of administration and want to concentrate on towns under 10,000 people. There is a good reason for that. We were pouring a lot of money into big cities. It is much easier to line up a job in a big city, and spend lots of money, and as a result ignore and neglect the smaller places, which from a nutritional standpoint and other considerations we shouldn't ignore. It is said that probably rural people tend to do worse when it comes to milk consumption, than many urban people. We can help them.

Allotment of Funds - Maybe we can't get it all settled this time, but we are going to get the administrative funds worked out so that we can get everybody on an allotment basis. I like the allotment system. It gives you quite a lot of room for administration and exercise of good management sense. Budget out of an unallotted sum and the man who speaks loudest gets the most money. That practice is unfair to the whole system. A sensible allotment is much better, and it is going to give each regional chief a chance to exercise ingenuity on his own account, without being unreasonable.

Uniform Organization: I hope we can work out a relatively standard type of organization in these regional offices, so that a fellow can move from one to another administrative office without having to spend a long time trying to figure out what world he's in. The kind of uniformity is pretty useful, though it must make allowances for the fact that problems vary in the different regions.

You can have an assistant regional administrator, one at least, and on request you can have maybe two for sufficient justification. In some cases it may be warranted, but I don't know about all cases. Your structure doesn't have to be an exact copy of the Washington structure, but should be somewhat similar.

We want to avoid the situation in which each person in Washington has his own man out there. The regional administrator is the boss, but we want to see that there is recognition and mutual respect. We are going to try to have people from Washington go out in the field to be as helpful as possible.

Whether we ought to call your units divisions or branches is a question. I would suggest that you reserve the term "branches" for a while, and start out by divisions.

Certainly you ought to have somebody who has the responsibility for the distribution work. It may be that that can be combined with something else, but it is a little doubtful because the load is considerable. We're going to have to have recognition of Section 32 purchases. You want to work this out with Mr. Albin. We need in every case a man who is going to be in charge. There are darned good men available in the field now. I would like to repeat - get yourself good men while you are at it, so that you don't have to start wrestling with all of the activities.

In connection with the personnel and the administrative services and your budget or fiscal control I would like to suggest that these probably could head up to one man in your shop.

You should be able to find room for some administrative planning. Administrative planning is the kind of thing that doesn't go too well if the man in charge has to be tied up with the routine of personnel actions or auditing. An administrative planner isn't exactly an efficiency expert - or won't act like one. He is the kind of a fellow who will get down and dig and help simplify routines that tend to become cumbersome. He should work at organizational structure in an advisory way. If he is directed and given his head, he can be one of the most useful people you can have around an office.

Marketing reports work, which some of you have called information, is more than information. Marketing report programs include, for example, the Victory Food item as an important part of the food program. Under the Victory Food idea we are more nearly teaming up the producer and distributor interests by getting the trade at all levels to work together. Through this we are doing some things that will save us money, because if we move commodities through commercial channels we do not have to buy them. We want a good man on Victory Food work.

You need to have a man on information. Let's talk about information just a little bit. Don't get too terribly aggressive on this information thing. Some people think that a lot of publicity is wonderful. It is, all right, if you've got some objective. Sometimes it is a damned useful thing. On the other hand, there is a good deal of justifiable public concern at this time over tremendous informational activity. The Government has grown tremendously. People throwing out information have increased greatly. Newspaper space is growing tighter. Some people feel this expenditure of the Government in that direction is quite excessive. I feel definitely you need to have support and help and advice on public information and relations. An information man can be useful. Don't overlook the desirability of having him in your conferences. Keep him informed. He can advise you. Some of you have better instincts for good relationships with the public than others. A lot of fellows can make mistakes.

There is one other matter I want to mention particularly. Otie Reed is here for program appraisal work. I would like to see that you develop somebody along that line in the field combining it with existing economic analysis work in the region.

We ought to look forward to having commodities covered. In addition to the purchase and distribution aspects, I think you should start getting some commodity men out there, but you don't want to get anything started and have nothing definite in mind.

Amazingly enough, one of the great problems at the present moment in taking very necessary action on limitation orders, reservation orders, allocations and rationing is to find room space in Washington for people to do work on it. That is actually one of the most serious problems. We're not planning to take people here in Washington and ship them out to the field but I should not be at all surprised if the Department were called upon to ship people out in the field on very short notice. They were very rough here on that subject in the last 8 or 9 months. I don't like this wholesale kind of throwing people out of Washington but people here have to keep in mind moving functions out in the field for AMA. Our percentage of people in Washington is quite a bit too high. Rather than move out in some wholesale, quick jump-up way, it might be better if we all keep our minds on it. In six months the Department might conceivably do something involving wholesale movement. The order might go out in terms of space. "Vacate so much." We might argue that we ought to have a little priority over some of the other agencies, but we can't hold on to that notion indefinitely. Some people like going out of town very well. Mac Clevenger seems to enjoy life in California.

Remember that the regional administrator is expected to be an executive and a leader, and is not expected to bog himself down in routine detail. He

shouldn't sign over 20 letters a day. You men ought to have men who are responsible for signing their own letters. You shouldn't let anybody else sign your mail, either, except if you have poison ivy on your hands! A man ought to get someone else if he has more than 20 letters.

There was a man at the head of a division, a very small division, in BAE, and a mighty fine man. He is very ill now, quite old, but one of the finest men - a fine student. He built up his line of work from small beginnings, very largely through his own push and interest. He gathered around him very good men - good quality men. The New Deal came along - a chance for action in his field. He kept prosecuting it and pushing it along. Nobody else knew as much, so they told him to do it. He got lots of people - lots of administrative expense money. He had been in this scholarly, fairly slow tempo for so long he couldn't work any other way. The fellows flattered him - always fixed everything for his signature. They kept that up. He got this big activity and he was a very conscientious man - always read everything. Always insisted on signing his own name, and thus got up to a couple of hundred letters a day. He hadn't much time for anything else. Someone said, "These are pretty routine letters, let someone else sign them for you." Finally twelve fellows were signing his name. He got down to where he wasn't signing many himself. People receiving these letters would come in to see him and he didn't know what he had signed. He never got over this. Everything was confused. From an administrative standpoint I don't believe he was considered very successful. A nice guy - knew his program pretty well, and it folded up. He isn't to blame, or his illness. He was sunk in routine detail.

What is so important about some of these letters? There are good enough people around the place to review them - they should sign good letters, if they are making 3800 to 4800 dollars. I'm not great on rules - violated just about every rule I ever got hold of. But there's a very good principle to it of keeping correspondence down to not over 20 letters a day. It will work out to your advantage in the long run. \$3800 or \$4800 - heavens, they're getting enough money to take a lot of responsibility. Anyone not willing to take that much responsibility is not earning it. They ought to be downgraded.

One more little point I would like to make. Watch the matter of scrupulous honesty of your area. Some of us probably are more suspicious than others. Let's not have suspicions. At the same time, let's not hesitate to see that proper steps are taken to establish facts. Men should have a chance. When rumors come in they should be told about it. The question should be disposed of - brought to a head. Don't tolerate any seeming dishonesty. We don't investigate every little kind of slander but, if it is important, exercise good judgment.

Steer clear of politics. No one among you was selected on the basis of any political preferment whatsoever. We're not interested in your politics. You are entirely free of political affiliations and you are not going to be asked to do any party chores. The Hatch Act applies to you. It is none of your business to do party chores. Of course it is up to you to protect the Administration, the Department and the AMA from allegations of failure, malfeasance, misfeasance, and non-feasance. No matter who happens to be running for president, etc., it is your job to serve and administrate to the public.

That doesn't mean, however, that you have to run away quickly any time a member of Congress is interested in the program you are dealing with. Senators and Representatives are elected by the people. There has been an interesting evolution in their responsibility. You may have noticed the amount of help a member of Congress has to have in his office tends to increase with years. The public tends to turn more and more to him for help in getting chores done or to get information. There are very few members of Congress who are so secure in their position that they can afford to disregard the wishes of their constituents even though some of those wishes may seem unreasonable. For these reasons I think it is important that members of Congress find out about our programs and that they hear from their people about them. There may be some situations in which you can help a Congressman become better informed in regard to a program.

But you are not out there to do political chores. Personal fortunes are not involved. It is their right to know about things. When I speak about politics in that sense it is much different from going out and doing any ward-heeling.

One other word - let's not be provincial. When we set up our commodity branches we had a little luncheon and I issued a warning that the people handling commodities shouldn't become provincial with respect to these commodities. On a different basis that same thing applies to the regions. Let's make pretty sure that we don't push our own regions with utter disregard for the national picture. It is pretty hard to carry that out. Certainly I wouldn't like to see you neglecting your region. We ought to expect some push from you. Don't take unfair advantage of the other regions. It is probably as simple as that. Trying to work out a scheme here for dividing up money so that there is some equality and equity in the distribution of funds for stamps, school lunches, milk and other programs is not a formula to be slavishly followed but we ought to get pretty close to it. Some states are doing awfully well, some states seem to be neglected relative to others.

GOLD: Do any one of the seven regional men have any questions? Mr. Cappleman do you have any questions?

CAPPLEMAN: I do not have any questions but I have made some observations. I think the matter is going along very well and I don't see any reason why we can't operate in the field and cooperate with the people here. I know they will give us the right cooperation in dealing with the people they have been dealing with a long time. It is possible that maybe some of us should talk with them personally about some of their particular projects so we won't step on their toes, but I think we can make it nicely. I used to have a technical job and I was always afraid of some administrative man coming in and telling me how to run a program, so I know how they feel, but even though I know something about cotton, I'm not going to try to tell your cotton men how to plant cotton or how to handle the grading.

ROBINSON: That question of how the regional administrators will tie in with technical work is one that has caused some worry around here. I was wondering about this -- you would not tell us how to grade cotton, but on the other hand you don't just ignore the job of cotton classing.

CAPPLEMAN: I meant what I said when I said I would not tell your men how to grade or class, but I might help him direct it in the area we represent.

ROBINSON: I imagine that Cappleman is exactly right. "I would not tell him how to class the cotton." I think what he would do would be to work with our man Parker who is supervising that work. If poor jobs showed up in our territory he would check with Parker and see what the trouble was. That is the way to handle that job. I don't think they will have any difficulties along that line because Mr. Cappleman, being a cotton classer, would be competent to say whether the job was being done right. There is something he could do -- he could check with the other offices in the area to see if they are doing as good a job and turning out the same amount of work. He could find out what is causing complaints about cotton classing in certain areas and if there were complaints attempt to see what was in back of them. There are two kinds of jobs, one of them is the question of whether this fellow does classify cotton right or not. For the Smith-Dorsey program, it would be a good thing for someone to be reviewing that sort of thing to see if they are giving the best service in the right places and could they be doing a better job of it.

NEWELL: I think the point is well made that regional men might give some attention not only to cotton classing but how this whole classing job fits in to the whole job of marketing fruits and vegetables and all the others that might have a place in that region; to study the whole picture as a part of the marketing program.

GOLD: Mr. Gage, you have always been willing to express your views on the relationship of technical workers in the field.

GAGE: I have assumed from the beginning that regional administrators would steer pretty clear of the technical direction of work on specialized commodities or where the work itself is rather highly specialized. That is a very important thing to have an understanding on because it is to some extent rather difficult and probably impossible to make a clear separation of technical and administrative work because the administrator's work hinges on needs of technical work itself. I don't know of any way the line of demarkation can be drawn except to recognize there is one and arrive at it by consultation and

gradually get the lines cleared up in the mind.

MABEN: What would be the major difference between supervising that kind of work and handling the work we now do? We have your economists, trained personnel officers, trained welfare officers -- right on down the line. I don't think there is any one of the regional directors who know as much about personnel as our personnel officers. How do we handle it? It seems to me we are making a lot of talk.

ROBINSON: As a matter of fact I didn't have any problem in mind, because as I said before, the Administrator is not going to be bothered with the technical supervision as to whether this man is classing this thing right or not. Someone under the Administrator will have that job.

POLLOCK: I think after he gets out and finds out what his job is he won't want to get into it. There are so many problems to his own job that if he does his job he couldn't mess around with technical phases when he has supervisors trained to do that work. I cannot visualize how I could get into dairy and poultry, fruit and vegetable, meats; and be much other than a nuisance if I get beyond the point of trying to advise, trying to coordinate, and be of service to the people -- how can I hope to get into the field of technical supervision?

MABEN: It is a question as time goes on as to how you are going to organize and handle it. A discussion of the method of supervising the inspection of fruits and vegetables or classing of cotton is pretty loose talk at this stage of the game. I'll repeat my question, what is the difference between the plan as set up and what we are now doing?

GOLD: Is it true Mac that out in your western region you have had some real disputes as to the grade of fruits. How do you meet the problem?

CLEVINGER: When that problem developed the growers approached me on the deal. I immediately got some of our people and the growers committee and I held a meeting and thrashed the thing out and sent a wire in making a recommendation to which everybody concurred. If I remember correctly I acted as arbitrator and then we came into Washington on the deal and asked that the grade be changed and it was changed and we went. I agree with Mr. Pollock just about one-half. A situation arose with Hawaiian rice -- an urgent need of an expert to fly to Hawaii to fumigate with ethylbromide. We have an expert out there that really knows his business on rice. He will be in a Clipper before night on his way to Hawaii. This is a case where the administrator had a choice of sending a couple of men. I do not want to delve into the rice deal but I am in a position to know which is the man to send. One man clearly has more background and is best man to send. I want to make the decision.

POLLOCK: I think Mr. Clevenger has set up a special problem of rice in Hawaii which wouldn't be generally applicable. Let us assume that we have a cotton problem. Let us say that cotton is classified in a certain way and the supervisor is called into the picture and maybe he doesn't agree with the original classification and it goes to your Board. Now there is a group that has the final say on cotton. We have a case where somebody in Mr. Clevenger's region in San Francisco grades a car of grain. A supervising inspector at San Francisco is called in on that and maybe the applicant isn't entirely satisfied with the grading given. He has an opportunity to go into the Board of Review in Portland. You carry all the way through to expert authority and it would be a dangerous procedure to have a regional director to go dabbling into that thing.

Under the present setup you have all the protection in the world you need in the matter of grading. The supervising inspector who is an expert in the grading and classification of commodities should be the one called in.

ROBINSON: I haven't had any misgivings on this at all. I have misgivings if the administrator or Chief of Cotton looks at a bale of cotton and says the classer calls this wrong. The chances are that the Administrator wouldn't know anything about it. I assume that the expert knows more, and will be able to do it.

MABEN: You haven't answered my question yet.

GOLD: I am not going to answer on this formulation of grade when a grade doesn't exist. I am quite certain that there would be quite a disposition for final authority for such matters to remain in a Washington office.

MABEN: Isn't that what we do now. I can't see much of a change. We call in our experts on any point that comes up. We get outside help from other Departmental agencies, State agencies, we get all the expert assistance we can at the lower levels. The regional administrator will never be qualified in such techniques and will not want to get into them. He'll rely on his experts. Then if it is something which a precedent hasn't been set, we send it to Washington.

I
MARKETING REPORTS DIVISION

Arthur C. Bartlett

I do not know how accurate this is, or how historical, but I am told that back in the days of innocence some of the Government agencies started hiring publicity men. The contemporary critics of the Administration in Congress said the Government could not hire any publicity men, so that stopped that -- for a little while. Later, in the Department of Agriculture, someone happened to look at the charter and there was a phrase in there about the Department's duty to disseminate information. So they began to hire information men.

As time went on, people began to suspect that information men were not much different from publicity men, so we began to have a hue and cry about information men. Well, actually what they really are -- or what they ought to be -- has been summed up in a new phrase adopted in our time: "public relations." And it is very important that Government agencies, like private agencies, have somebody to look out for public relations. We have to have public cooperation all the way from the consumer back to the producer, particularly in operations like ours. You have to have cooperation from the producer, from the processor, from the distributor, and from the consumer if you are going to get programs accomplished. You can not do that unless you get along with them, and getting along with them requires certain activities, certain points of view, certain knowledge, which is best summed up as public relations.

However, we have only a very few information men in AMA. We have an Information Section in the Division of Marketing Reports. Now, generally speaking the Division of Marketing Reports is primarily interested in public relations, but in addition we are actually engaging in activities which the usual information unit of a governmental agency does not participate in. For instance, as you know, we have the Victory Food Special Program as part of our responsibility, and that is really an action program as much as it is a public relations or informational program.

Now I want to come back for one moment to the importance of public relations, to go into it a little further. You can not separate any of our activities strictly into technical and public relations problems. They are all intertwined. You may have a case like the one Mr. Cappelman ran into in Texas this year, when the problem was getting the onions into the market. Well, obviously, that is a problem that has to be handled by purchase men, by the technicians in the field of marketing, and so on. At the same time, as "Cap" will tell you, it involves terrific public relations problems, particularly if you do not do as good a job of moving the onions as people think you should. Then it becomes very necessary to have someone thinking in terms of the people involved, trying to explain to them what we are doing, what we are trying to do, why we think we are doing all that we can, trying to get them to cooperate in what we are doing.

Take the Wisconsin cheese situation. You have a lot of cheese piled up in Wisconsin. You need it but you have a lot of cheese producers saying they are getting overloaded, that AMA hadn't ought to do this, should do that, etc. We have to do what the technical experts, marketing experts, lend-lease experts, and all the rest think is the thing to do. At the same time you have to take into account what these people are thinking, and you have to try to reach them with the answers to the questions they are bringing out. That is not an easy thing to do. We cannot sit back here in Washington and know what questions

they are going to bring up next day nor the subjects they are going to bring questions on, but unless we can find out we cannot get their cooperation. We have got not only to know how to phase the answers but to know where they will do the most good.

In the field, I think better public relations is going to be one of the major things this regionalization is going to accomplish. I doubt if it is too much to say that you have probably been chosen with that in mind, for I am sure that the Administrator, as a former information man, himself recognizes the importance of this phase of the work.

In the past, conditions in regard to information work have been very unsatisfactory, not because the regional directors have not done everything they could and been right on their toes -- they have, but because the organization was a hodge-podge. Nobody knew where his limits of operations were; or if he knew where his limitations were organizationally, and observed them, some of our work went undone. We have had out there regional directors of the distribution branch. The Distribution Branch had some information men who were not supposed to concern themselves with anything else but distribution. The public did not understand that. People took it for granted that all AMA men knew the answers to all AMA questions. If they did know the answers and tried to give them, they were mixing into somebody else's bailiwick, and if they didn't know, the people seeking better understanding were left unserved. We had information men who were attached to other branches who were always getting into the hair of the distribution men, and vice versa. We had two or three men doing part-time jobs for us and part time for somebody else, we just had a hodge-podge out there. I do not feel that I was particularly remiss in just thinking we couldn't do much about it until we got some organization where a marketing reports man was working for the AMA and could be held responsible for doing any job that needed to be done for the Administration, and would want to do it, and would be expected to do it, and would know how to do it; and I hope that is what we are going to get now.

I hope that each of the regional administrators will have as his chief officer in marketing reports a very good man. I think you are going to need very good men at the top, and under other good men, the number depending on the amount of work, the size of the region, and so on. Some of you already have good men whom you will inherit; in other cases you will have to find them. I think when you get them and get your organizations set up we can then work out very satisfactory lines of operation from here so that you will be, as you should be, responsible for the relationships and the work involved there in your region --every bit of it that we can channel in to you. We will tell you what we think ought to be done, how and why--give you the information as far as we are able that we think you are going to need from here to answer any questions that may arise.

I want to bring out particularly the importance of your keeping us informed of problems as they do arise. We cannot know in advance what is going to happen. We cannot hope to keep information coming to you fast enough so that we will always be ahead of any headaches that may be cropping up. What we can do is to take a problem as fast as it does come, get immediately at the people who can help us formulate the answers, get the answers back to you, and leave it up to you to handle the thing.

We have recently had a new memorandum issued by the Administrator in regard to market news. You have been hearing various commodity chiefs tell you what they have been doing in market news. It has been brought out, I think, that general policy supervision of these operations is supposed to be our responsibility. Market news, as you perhaps know, grew out of the last war -- the need for that type of service in order to get the food that was needed then. It has been tossed about a bit in the interim. At one point it was about to be legislated out of existence until such a howl went up that the plan was quickly abandoned. It is a real service, and we feel now that in this war we can do a lot more with it. Just as it grew out of the last one it can grow up some more in this one.

Up to this point we have not attempted in the Marketing Reports Division to mix into it very much. By specific direction of the Administrator we are going to concern ourselves with it now a little more. We are having to come over to our staff, I hope next week, a very good man who is going to, at least for a little while, spend all his time on market news. He is going to try to mesh it together. It will still operate as it has, and as it should, primarily as a part of the commodity services which the branches have performed. Yet the high walls between the various branches will not be quite so formidable. As it stands now a man who is operating as an employee of one branch on market news can, and usually does, completely ignore what the guy at the next desk, who is working for another commodity branch, is doing. We think there can be a little more meshing of that, that some of the service can be made a little better by a general supervision rather than by keeping it strictly a commodity line service. Doug McKensie is the man who is going to take hold of it. He is now with Federal Crop Insurance Corporation. I am hopeful that with your help he will be able to see the spots where things can be made better and where we can justify a growing up, perhaps an enlargement of the market news service.

One enlargement in which I am particularly interested, if we can do it, is in the consumer service. Sometime ago OPA asked AMA if it would not be possible, in connection with their programs on price ceilings and rationing, to put out more of a consumer market service. The feeling at that time was that it would not be possible without a considerable expenditure of money. And OPA said "O. K., we will do something ourselves," and they got together with someone in the Quartermaster Corps of the Army and began putting out in large cities, based on quartermaster information, reports as to what were the "best buys" of the week. Some of the results have been pretty ridiculous; it does not really signify very much if the best buy of the week is possibly water creess; and yet that is the sort of thing they sometimes get. We hope that without too much additional expenditure, perhaps with very little if any, we can do a better job than they can do, and OPA is very anxious that we do it. They are willing to drop their service any time that we can take it on.

This consumer job, not only in market news, but in all our operations is perhaps the newest, and to my mind one of the most important, that we have to do. In the past, as you know, the Department of Agriculture has been primarily interested in the farmer. It is still interested in the farmer; but more than ever now, and particularly in AMA, it is necessary to be interested also, as I said, in the processor, in the distributor, and in the consumer. When you have 32 million housewives buying food every day in competition to you you have a pretty powerful competition. If you can have those 32 million housewives buy their food in cooperation with you it makes it a great deal easier to purchase the

things that you want.

Now that brings us to the Victory Food Special Program, in which I know most of you are very much interested and on which most of you who have already been in the field have a great many kicks. We realize the validity of many of the kicks. We hope to do something about them. For instance, one of the first things that arose, and one of the things that has arisen constantly ever since, is the question: "Why can't we out in the field establish, designate, what is going to be a Victory Food Special? We can do it better than you can in Washington." Frankly, we doubted that you could do it better as we were previously set up. However, I think that now that we are going to be more thoroughly and completely regionalized, it is going to be possible to have more elasticity in those designations. I think that we can, with your help and advice, so designate a commodity that the date in one region will be different than in another region; it will be somewhat progressive depending upon when the commodity reaches the peak of the market in a particular region. It will be earlier, naturally, in the production area than in the areas where the big consumption will be.

In the past we have tried to base the time of designation primarily on the factor of when the commodity would hit the principal consumer markets at the peak. We have not always hit it exactly on the nose, but generally speaking we have come pretty close to hitting it on the nose in most cases. I think we can soon make it more elastic; as a matter of fact, have it on such a basis that we can ask you two or three months in advance when you think a particular commodity should be designated in your region. Then when we miss a little bit, assuming we have taken your advice, you can squawk to yourselves as well as to us.

Another thing which has been greatly complained about is that the commodities designated have not always been specials in the sense of being bargains. I will be very honest with you, we have been somewhat disillusioned or surprised ourselves. We have assumed, I think it is fair to say, that the specials would be more in the nature of bargains than they have turned out to be in most cases. We can see now, by hindsight, why they have not always been bargains. These are war times -- all prices are pretty high. With big food shipments abroad, big purchases for the Army, and high incomes, the demand for nearly everything is pretty high. So while prices may be relatively lower than the prices of other commodities, they still seem high by comparison with prices of other years. Then these particular commodities are not, generally speaking, under price ceilings. There is a natural tendency for everybody concerned, from producer to grocer, to take advantage of everything that is not under a price ceiling, and get as much for it as they can.

Actually, from the standpoint, of the farmer I don't think the Department of Agriculture should be too much concerned that those specials have not been bargains. That would usually indicate that the price was too low. However, getting that idea across that the consumer should buy these things regardless of the fact that they are not specials in the sense of price is a very difficult thing to do. We think there is plenty of argument on the patriotic side -- in helping us to manage the food supply, in using these things so that they won't waste, and in keeping production high; and we are now stressing those arguments and very carefully omitting discussion of price. Yet this situation has complicated the whole thing. I think it is very fortunate that the program

has been as much of a success as it has been in the face of these difficulties. I think we should seriously consider either dropping or changing the word "special". We have not reached any decision on it yet. We have had a great many suggestions that we do something of the sort, and we will report to you more fully when our minds have been made up.

There are other things which we are trying to do on the consumer side. You perhaps have heard or read something of the block-leader plan. It is just a proposal. It originated this way: As you know M. L. Wilson, as well as being Director of Extension, is Director of the Nutrition Division of the Office of Defense Health and Welfare. He developed the idea in the first place. He had been observing the operation in England of the Food Warden System where a woman, in an area which roughly amounts to each block, was charged with conveying to the people in her particular group any information which the Government wanted to get to them on the use of food. He had been informed that whereas in England, by the use of the press, the radio, and the other usual channels of publicity, the cooperation with the Government on its food programs was extremely good, something like 65%, when this plan went into effect the cooperation increased virtually to 100%. He had, I think, very good vision in feeling that whereas right now, or particularly a few months ago when he started talking and thinking about it, we were by no means in any such need of that kind of an organization as England was--that the time would come when we would need something of the sort. Right now we could no doubt get along without it. I think it is very possible that as the food situation gets more complex, having something as thorough going as that will be, if not a necessity, at least a tremendous help. Therefore in cooperation with the Nutrition Division of the Office of Defense Health and Welfare and the Consumer Division of the OPA, we, AIA, as the agency in the Department of Agriculture which is primarily concerned with consumers, have worked out at least the rudiments of a block-leader plan whereby there would be a woman in each block, to whom we could send what we call a food communique, and who in turn would take the information or the suggestions which we incorporated in that communique to all the women in the kitchens of her block.

We had the first tryout of it in Syracuse, New York, a few weeks ago. The Office of Civilian Defense worked with us on it, as the agency concerned with civilian wartime organization. To carry it out would be, of course, the job of the local Civilian Defense set-ups, and there in Syracuse they did have a block-leader organization set up. They had used it on one or two other things, collections for salvage and that sort of thing. Our tryout was, I should say, moderately successful. The block-leaders did not reach more than 35 to 40 percent of the housewives of the city. It was in the middle of the summer, the thing was done quickly, there was some resistance to it, so on that score it was disappointing. As to the results accomplished, however, it was more successful. We provided the suggestions which went in the communique. "Use more cheese", "Use more milk," and "Buy all the enriched flour that you can use in the reasonable future". We had very good reasons for this which you can understand. The use of cheese at a time when cheese was in very high supply, when it would encourage continued high production, and when it would take some of the load off some of the other foods; milk, similarly, because it was in good supply, because we wanted to encourage continued high production, because it is a good food, because farmers must sell a substantial amount of fluid milk at the fluid milk price if they are to go on producing enough milk at a lower price for drying, for cheese, and for the other processed dairy products; flour, of course, because the more we can move out of storage, the more storage there is going to be at a time when we need it very

badly. We had to be very careful because we did not want people to stock so much that it would develop weevils. Those were the three suggestions we made; those were the suggestions carried to the housewives in Syracuse. A check-up was made during the next week or two after the tryout, and it was found that the sale of these three commodities had been considerably accelerated as much as 80% more in the case of cheese, somewhat less in the other commodities, but definitely a marked increase.

We are now going to try that same thing out in three other cities: Bridgeport, Connecticut; Tampa, Florida; and in Berkeley, California. If it is possible, if there is still time, I am hoping that we can change the communique this time and take into account the meat shortage which developed since that original one was written, and point specifically to that shortage, dropping the flour and including beans as good protein food which will take some of the load off meat.

We found in Syracuse -- and I think it was very significant and something that has brought out a need which we must consider in all our consumer relations -- that there is considerable resistance on the part of housewives to doing the things that we want them to do unless we can get across very definitely and dramatically the importance of it as a part of the war. I, myself, am thoroughly convinced that the average housewife can do more in the war effort when she is in the grocery store and in her own kitchen than she can by putting on badges and going out and gazing into the sky or doing any of the other things which give her a glow of patriotism; but to convince her of that is extremely difficult. She has always been going to the store and been in the kitchen, so what is there to that? I hope that we can in the next few months make real progress in selling her on the idea that she is a quartermaster in the food supply army and that what she buys, how and when she buys, and how well she cooperates with us will add up to a very real contribution, as they will, to the war effort.

We are going to attempt various ways to get that message across. We shall want all the cooperation in the field that we can get on it. We have such tentative plans as working, again in cooperation with the Nutrition Division of the Office of Defense, Health and Welfare, in putting on programs in virtually all the moving picture houses in the country; programs which will include short movies dramatizing this fact, as well as the message of nutrition -- which, I think incidentally, is beginning to bore many housewives. I think our message is much more impressive, more fresh. This is a proposal that was originated by the owner of a large string of movie houses. We are working on it, and while it is not definite, I hope it will materialize.

We hope to make a movie dramatizing the importance of the housewife in helping manage the wartime food supply. We hope to get on to the radio some dramatic transcriptions which will carry this same message.

I have perhaps emphasized most strongly the consumer end of our job. I do not want to seem to say that the producer end, the distributor end, and the processor end are not also very important, but I think perhaps they are more normal. You are more likely to be aware of them than you are of the other. We must, of course, watch our relations very carefully with the other Government agencies, the other departmental agencies, with the various organizations, but I think all of you are pretty well aware of this and I don't need to stress it very much.

I just want to finish by putting this in your mind -- that in the short time that I have been here it has been very much impressed upon me, conversationally and otherwise, that the rest of the Department right now is looking at us with, perhaps not envy, but a great deal of appreciation of the fact that we have the real action show in the war effort as far as the Department is concerned. With that goes the necessity of carrying out the job of public relations on which the success of all those activities depends. It is a big job and I hope that by this regionalization we are going to be able to accomplish it as we have not been able to accomplish it before.

MR. CAPPELMAN: We haven't got publicity on many of the programs that we need.

MR. BARTLETT: You better see that we get it.

MR. CAPPELMAN: But you do run into that thing. We have heard from several good people that other agencies, at times, took the credit that we should have had.

MR. BARTLETT: I think that is particularly true in dealings with producers. In other words, the other Departmental Agencies have much closer contact with the farmers than we do. The big ones have much better field organization. I hope we can off-set that without drawing the knife on any of the other agencies.

MR. CAPPELMAN: I have noticed some objection among some farmers about the school lunch programs. They can't see any tie in. We have been trying to put together various arguments from the standpoint of the farmer -- the answer is we do buy whatever we use in those programs from the farmer for the reason that they need to be bought. They have been purchased more often when there was some particular reason for buying some commodity to help the farmer.

MR. BARTLETT: The program is still there to operate when and if necessary -- it is for the benefit of the farmers as well as being a very fine thing for the school children. I think we do have to show the farmers that there is some advantage to them in having an outlet by our purchasing this stuff. I suspect that the men in the field know the answer to that better than to the other ones that are going to arise.

PERSONNEL DIVISION

F. C. McMillen, Chief

I saved myself a little time here by running off a few of these charts to try to give you an exact idea of what the Personnel Division is.

With respect to the regional offices-- it is going to be a pretty tough thing for all of you of the new regions to get all of the personnel recruited due to the present labor market which is pretty tight. One of the first things is that you are going to get inferior personnel -- that we just can not help. We have been going on a theory here that we ought to classify the jobs as liberally as we can, and we have got a lot of high classifications, but the fact remains that due to the limitations on what we can pay to many of the people, we do not stand in a particularly good way in competing with other Federal agencies in securing personnel. I am inclined to think, though, that there will be differences in each region.

Each one of the personnel officers is going to have to know just what you contemplate for future changes or they can not be accurate in classifying the jobs, and also in laying the plans to re-assign.

Previous to this no matter what personnel action you took it was recommended to us here in Washington. We have set in motion the machinery to get that authority delegated to you for use in connection with field operations. We won't get it immediately, but I hope to have you given full authority to do this right in your office. We will have to work fast in setting up these jobs -- securing the personnel is the first thing -- then pick up from there and straighten out a few other differences that may exist. As soon as we are able to accomplish this, each personnel officer will be given authority to take personnel action himself. That does mean, however, that you will have to go a little easier on the personnel officer. If something is proposed that he knows is out of line from personnel's standpoint, he has got to do the turning down from now on. He won't be able to pass it on to us to turn down.

There are several specific things that occur to me -- one is disciplinary matters. I don't know why but within the last three months in the AMA there have been more disciplinary actions than there were in all three of the other organizations put together for over a period of several months. Maybe it is the pressure of the work -- maybe it is the people we are hiring. These cases have to be treated pretty carefully. It is pretty difficult, as you know, to fire an employee without first getting the goods. In certain cases there may be a lug who has an excellent efficiency rating. You can't just tell him he is no good, if he has that rating. On the other hand, you have got to be awfully careful that nobody is hurt too badly. The regional personnel officer will have authority to act in that respect.

Another thing we are going to have trouble with is the draft. We are going to have to hire an awful lot of women to fill these jobs. I do not know of any position that a woman cannot handle if it came right down to it. I know there is a feeling among you that they must be handled with gloves but they can be pretty tough if need be. I think we

are going to have a lot more of them in all jobs.

Another note I have down here is with regard to training matters. We have here in the personnel division an employee training and relations section that is a sort of step child to most Administrators. I think that it is unfortunate that it is so. In Washington we have started several training courses; we have tried to develop machine operators, stenographers out of typists by forming training pools. We are going to have to do a lot of that throughout the whole United States in order to have a sufficient supply of trained personnel in the regions to meet your immediate needs. I am inclined to think that there will have to be a good deal of training.

I believe it will be possible to split the people who are now trained in the 4 regions among 7 regions so that there will be in each region someone who knows something about the procedure of personnel work. It won't be possible to get sufficient trained people. The Regional Personnel Officer, as I conceive, will have authority over all personnel activities. That does not mean that we here in Washington would not like to come out and look things over once in awhile, but the Regional Personnel Supervisor would be responsible for personnel actions concerning all personnel within the boundaries of his region. This is a subject for debate. It has not been true in the past but now he is a personnel officer of AMA, not of the Distribution Division only.

MR. PALMER: Just how are Mr. Cappleman and I going about securing some personnel?

MR. McMILLEN: I had thought it would be a somewhat logical thing if you went to Dallas and worked with the Personnel officer down there in separating the persons which you and Mr. Cappleman will want to be dickering on.

MR. PALMER: Do we have to come to Washington to make these personnel changes?

MR. McMILLEN: No you won't have to come to Washington --- I think we can probably get together on these things.

MR. PALMER: Suppose I have a man in Atlanta and want to move him to some other spot. Do I have the authority to go ahead and do that?

MR. McMILLEN: Yes, you have the authority to go ahead and do that. A paper record will be made after the action is taken.

MR. CAPPLEMAN: We have some women in the Dallas office that are good employees. They have a good efficiency rating and are good people. They have a right to pick Atlanta or Dallas, or Denver to work in, is that right?

MR. McMILLEN: No -- they have a moral right but not a legal right. We could make it so they could have a legal right but that means that our people would have to be thrown into national competition with people wanting to transfer to Chicago. That means that if there were a reduction in force in Chicago it might be that some of the people in

Dallas would be fired and replaced by the Chicago people. I think that among ourselves we could establish an area of competition so there will be transfer rights between regions. Of course, we could not make this definite with the CSC, it would have to be among ourselves. Also, I know for a fact that there won't be nearly enough people in Chicago and won't be nearly enough people in Atlanta to take care of the work. Consequently, I think those people who are trained in one of the offices will get first crack at anything they want.

MR. WHITE: I would like to ask a question concerning the moving of the Philadelphia office to New York City. It is going to involve the moving of a lot of people. Will their expenses be paid?

MR. McMILLEN: Yes, their expenses will be paid by the Government. I may add that there will be a lot of people who do not wish to transfer, leaving open jobs at higher salaries than those occupied in Philadelphia. It would make the people much happier if they were considered for these higher paid positions when they are transferred. I know there is a tendency not to give the women these higher jobs but I think they will be better suited if you do.

VOICE: When a person is transferred are his family's expenses paid?

MR. McMILLEN: No, that is his personal expense. Right now we are having some difficulty in getting the people moved. We are working to move a group and it is possible we will get a lower rate in a bid if we get a consolidated bid.

MR. POLLOCK: Suppose that we have someone in another agency that is willing to transfer at their present salary or grade providing the Government will move their goods for them? Can this be arranged?

A: If it is within the Department, yes. That will take care of many persons moving from another agency to AMA. I have been here in Washington long enough to get acquainted with some pretty good people and know that there are some girls here who would like to transfer back home or to some other point so long as we pay their expenses.

Q: When is it that a person can not be released from one position to transfer to another point?

A: The person can be released as long as it would not cripple his supervisor too much. That is, if his supervisor can put up a good story about his release crippling the office work, and could prove it, he can prevent the release. Of course, if he just says I like him and would like to keep him he can not prevent his release. He would have to release him. It has been the policy here to always release people to accept a promotion or transfer so long as it does not greatly interfere with our office procedure. Of course, if the employee does not want to transfer you can not force him to do it.

VOICE: If a person applies for his transfer will he pay his own expenses?

MR. McMILLEN: Formerly it had been a ruling that he paid his own expenses, but if you want to employ him and he is good enough to transfer

you may pay his expenses.

VOICE: What about classifications -- the salaries for various jobs?

MR. McMILLEN: As soon as the Administration has decided exactly what the organization structure will be we can classify the jobs but in the meantime I am going to suggest you hire a lot of people anyway. You can get up temporary jobs to give these people and you will probably want to sort them out later. Go on and hire the people because it will take a month to get them hired, get their papers through and get them to work anyway. You can put them on an L.A. Get them hired and straighten them out later. So far as typists and stenographers are concerned they can be put in a pool. You can hire as many as you want and sort them out later. We can set up temporary jobs. Most of you realize you can employ a person on Letter of Authorization for 60 days pending appointment.

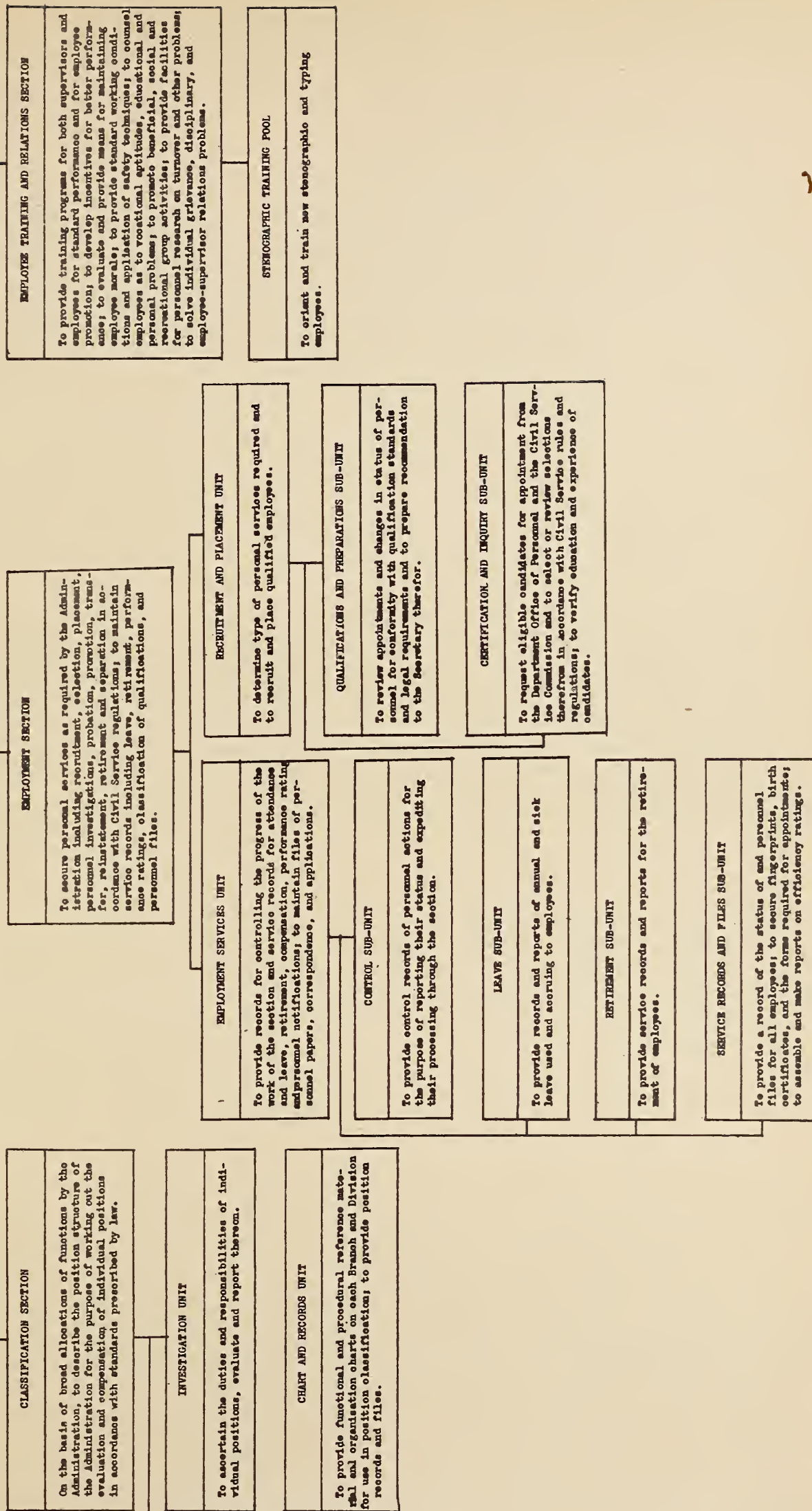
MR. BARTLETT: Why is it necessary to have different grades on your personnel men in the different regions? I have been given to understand that our division is concerned that the top regional man be made uniform in each region.

A: I do not think it is necessarily true that they would all be in the same grade. The result of trying to make them all the same grade is a tendency to put the top ones down rather than pull the bottom ones up. It is desirable to have a uniform grade as much as possible but it is certainly not especially essential.

MR. McMILLEN: I have just one thing more to say -- the Personnel Division wants to give the best possible service. I hope you won't hesitate to go ahead and gripe if you want to because that is the only way we know that anything is wrong. Go ahead and gripe and I think I know some of you well enough to know that you will.

UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL MARKETING ADMINISTRATION

PERSONNEL DIVISION
To provide a program of personnel management designed to secure and maintain standard performance in carrying out the objectives of the Administration.



III

ADMINISTRATIVE SERVICES DIVISION

Fred J. Hughes, Chief

I think probably most of you are somewhat familiar with the Administrative Services Division and its purposes. It is a service unit to take care of the service activities of the Administration, including space, equipment, telephones, contracts for local services, moving, maintaining inventory records, making purchases through the necessary channels in Washington, handling, receiving, recording, dispatching and viseing mail, maintaining correspondence and docket files, and in general taking care of those housekeeping activities which are necessary facilities in the running of a large organization. We receive in Washington one quarter of the mail of the Department and 40 percent of the telegrams. These are received, assembled, and dispatched through our mail room and are finally deposited in the Central Files and in five separate space files maintained in connection with the different units which have nothing to do with the general operation of the Administration.

Our Procurement unit deals with the securing and handling of contracts, both in Washington and locally, for services and for furniture, equipment and supplies, for the moving of household goods of employees and office equipment and maintains the necessary contacts with other agencies of the Government in reference to these activities. We operate a telegraph leased wire service handling market news only, which is under the supervision of Administrative Services from the operating standpoint and under the supervision of the Marketing Reports Division and, through them, the various commodity Branches concerned in the technical supervision.

We maintain a mechanical tabulation unit, in which at present about 45 percent of the work of the Department is performed. There is an expert in charge of this unit who will be available for advising with the Regional Directors on the use of mechanical equipment for handling records and other material. I hope you will use this adviser in your programs prior to the development of such programs, in order that the most advantageous use of the mechanical equipment may be made and also that it is not installed where such an installation is not in the interest of efficiency.

We have a duplicating unit, a part of which is being transferred to the central service of the Department dealing with the duplication of material, the securing of forms, printed material, maintaining contacts with the Government Printing Office through proper channels within the Department and handling the distribution of all duplicated and printed material for the Administration in and out of Washington. It is probable that duplicating units will be maintained in each of the Regional offices. I think that in general covers the Administrative Services structure.

As indicated by Mr. Hendrickson, the personnel in the Administrative Services units in the various Regions will be under the administrative control of the Regional Administrator, and it is my hope that we here in Washington will be able to render assistance to you in developing your Regional facilities and equipment in the most effective manner for handling your administrative services problems. In this connection, I would like to point out that there are some things that by reason of organization will have to continue to be handled from the Washington office, such as purchases involving priority clearance, securing of equipment from other agencies, final handling of contracts other than local including final action on recommendations for space, etc.

We have developed a central filing system which seems to be operating very satisfactorily and will be glad to help you establish and maintain your communications unit in the Regions as occasion arises. We will maintain in the field for the present four storehouses which will serve the various offices of the Administration in supplying offices with supplies, forms, and such equipment as may be available through transfer within the Region and from one Region to another. These storehouses will be operated by the administrative services unit in the Region. All requests from all offices within the Region will clear through the Regional office and from there to the proper storehouse best equipped to serve.

* * * * *

QUESTIONS AND ANSWERS

Q: What authority will the business managers have in the regions concerning telephones and supplies, etc.?

A: They will have full authority to handle local contracts and to maintain local contacts that are necessary within the Region. All requests for equipment, supplies, etc., will clear through the Region and will be handled in so far as possible by the Regional office. Some requests requiring priority will necessarily have to clear through Washington.

Q: What are your plans for supplying commodities? Will they be supplied by the regional office, and will they put in a requisition?

A: Supplies to the Regional warehouse will be furnished from Washington where local requisitions will be filled. These requisitions will be routed by the administrative services unit in your Region to the storehouse best equipped to fill the order. I think we may be able to work that out pretty well. I think this will speed up the handling of this type of requisition.

Q: I am a little worried about these storehouses. Just what is the procedure?

A: The respective offices will make requisitions on the Regional offices. They will handle these requisitions with the storehouse nearest the Region, if there is not one within the Region, or the one best equipped to handle the particular requisition.

IV
INVESTIGATION DIVISION

William Duggan, Chief

The Investigation Division is essentially a service organization whose primary purpose is to serve the Administration and its component parts, the Branches and Divisions. The Investigation Division is an impartial, fact-finding, and reporting agency. It renders services of specialized and technical nature and for operating purposes is divided into two sections, the Investigating Section and the Regulatory Accounting Section. Its functions and responsibilities, recently considerably enlarged, are clearly defined in a pronouncement from the Office of the Administrator, under date of July 18, specifically, Supplement F to Administrator's Memorandum No. 2. I believe it would be worthwhile to read a few of the pertinent sections.

"The Investigation Division shall conduct periodic and special investigations of all the programs and activities of the Administration, both in Washington and the field, including the investigation of alleged malfeasance or misfeasance on the part of any employee, or firm, or individual dealing with the Administration, except as provided in paragraph 3." Paragraph 3 has to do with the investigative and audit work performed under the provisions of the Commodities Exchange Act and Packers and Stockyards Act. To continue, "These investigations shall include: purchase activities under Lend-Lease, Section 32, TEP, Red Cross, etc.; marketing agreements and orders; diversion and export programs; alleged criminal violations in connection with the distribution programs, including the food stamp plan, direct distribution, school lunch, school milk, and low-cost milk; and other assignments as made by the Administrator from time to time."

"The Investigation Division will be responsible for prescribing and installing accounting systems for agencies administering marketing agreements insofar as the installation of accounting systems for such agencies is consistent with the applicable marketing agreement or order; for auditing the books of milk market administrators, and for making enough sample audits of the books of control committees under marketing agreements for fruits and vegetables to determine the adequacy and accuracy of commercial audits of such books; for providing consultative service on accounting, investigative, and litigation problems; and for performing regulatory accounting as assigned by the Administrator."

This memorandum delegates to the Distribution Branch the periodic inspection of retailers participating in the Food Stamp Plan, commonly referred to as "test purchases", an activity which was formerly assigned to the Investigation Division, and the Administrator's memorandum to which I have referred delegates to the Personnel Division responsibility for character investigation of prospective employees and alleged personal misconduct on the part of employees of the Administration.

The Investigation Division, as presently constituted, functions through the Washington office and key field offices located in the various regions. The Washington office maintains a skeleton staff for general supervisory purposes, procedural planning, technical guidance, instruction for field personnel, and for final review of investigative and accounting reports.

Each field office is in charge of a Senior Administrative Officer whom we refer to as a Special Agent in charge. Under his direction are a number of investigators or special agents who actually conduct the investigations in the field. In addition to the four offices located in each of the cities where regional offices are now located, we have investigation offices in Boston, New York, Chicago, and Los Angeles, because of the work activity in these particular sections. The accounting facilities are concentrated in two regions at the present time: Region 3, for our accountants who are assigned to the New York office, and Region 2, at Milwaukee, for the mid-west section. The office at New York has jurisdiction over regulatory accounting programs located in the states covered by regions now known as 3 and 4, while the accountants operating out of Milwaukee cover the territory embraced by Regions 1 and 2. Under the further decentralization plan, the Investigation Division will maintain offices in each of the new regions, somewhat along the same plan.

It may be of interest to note and possibly for the purpose of illustrating to some extent the diversified activities of the Division that during the fiscal year 1942 a total of 106,727 cases were investigated and reported. The vast majority of these cases had to do with alleged violations of the Food Stamp Plan. Others concern the Cotton Stamp Plan, violations of marketing agreements and orders, direct distribution, diversion programs, inspections of safekeeping facilities in hundreds of stamp-issuing offices located throughout the country, burglaries, losses, and thefts of stamps, and so on.

During the same period, a total of 192 audit reports were rendered on regulatory accounting assignments. These concern principally audits of milk marketing administrators, handler audits, handlers participating under the milk marketing orders, audits of control committees, system installations and investigative audits.

We have, at the present time, a total of 172 investigators, all located in field stations, 23 special agent accountants, and 51 clerical and stenographic employees, a total of 246 in the field. Our skeleton staff in Washington numbers 16, 9 of whom are clerical or stenographic employees, making a grand total of 262 employees in the Division.

MR. KITCHEN: Will you explain a little bit, Mr. Duggan, how you handled the peach marketing agreement in Georgia this year, how that compliance business checked, the different set-up, etc.? Some of these men are interested in that phase. There was a little different set-up, I think, on peaches this year.

MR. DUGGAN: In that Georgia peach deal, shortly before the order became operative, we assigned an experienced agent, an agent who had worked on citrus fruit agreements in the south in past years, to the Georgia territory to survey the situation and ascertain the number of men needed to properly police the agreement once it went into effect. This agent, together with four others, organized the state on a split basis for the purpose of covering roads leading out of Georgia to the contiguous states. The agents worked in close cooperation with the Control Committee and a representative of the Solicitor's office who was there. In a period of six or seven weeks, hundreds of trucks, warehouses, railroad freight cars, and the like were inspected for possible violations. I believe that 20 or 25 cases involving criminal prosecution were developed and

taken into court by the Solicitor's representative while the agreement was still in force. That in itself had a salutary effect insofar as compliance with the order was concerned and, in general, it is believed a splendid job of compliance was done in the Georgia area. On the basis of that experience, there is no question but what future marketing agreements involving fruits, vegetables, or what-not can be handled in like manner.

QUESTION: What was the nature of the violations?

MR. DUGGAN: Shipping, for instance, culled peaches out of Georgia into adjoining states. The order placed restrictions on the grade and size of peaches that could move in interstate commerce.

MR. KITCHEN: Most of these fruit and vegetable orders merely restrict movement of cars that may be shipped in a given period or limit shipments as to grade or size, and if those agreements are to be effective, we can't wait until the season is over to make our investigations so we have to be equipped with the legal and investigative service to handle them right on the spot. I think you would be interested in this arrangement in Georgia, and we hope to follow it through on other agreements of that nature.

COL. PALMER: I would like to ask how rapidly you will get into this in the new regional offices.

MR. DUGGAN: Unfortunately, I haven't had any authentic information in the last few days, but I don't anticipate any great difficulty in establishing investigation offices in these new regions.

COL. PALMER: Whom have you in mind for sending down to the Southern region?

MR. DUGGAN: The agent in charge of the Dallas office has indicated that he would like to go to Georgia.

COL. PALMER: We have another man named Fortenberry, from Mississippi, whose qualifications we know and who we think will be a good man. He is coming in Monday.

MR. DUGGAN: I will talk to him Monday.

COL. PALMER: I know him and he would be my choice.

MR. DUGGAN: All right.

MR. KITCHEN: I suppose you have the problem, Mr. Duggan, of dividing up your field force among seven regions instead of four.

MR. DUGGAN: That's true.

MR. KITCHEN: Generally the situation will confirm it. Any other questions while we have Mr. Duggan here?

COL. PALMER: I think we are going to have to move pretty fast on that.

We would like to move in as fast as we can.

MR. KITCHEN: Yes, I think that is right. We will have to move as rapidly as we can in setting up the offices.

MR. POLLOCK: One question: I should like to ask about the use of this investigation service. Just how is that coordinated with the other activities of the regional offices? I presume that this investigation of peaches was inaugurated by your investigation organization and that was conducted currently with the movement of the peach crop. Is the Distribution Division, for example, in the regional offices required to keep you posted as to where you should start some of these investigations - or the Purchasing Branch - or just how do you function in relation with these various activities we have out there?

MR. DUGGAN: On that peach deal, that was a cooperative effort involving officials of the Fruit and Vegetable Branch, the Solicitor's Office, and the Investigation Office. With respect to the second part of your question, investigations are made as a result of a request from a regional official or from Washington officials. We do not on our own initiative, or have not up to this point, initiated investigations unless based on requests.

MR. POLLOCK: That gets round to the point that some people making the request might need investigating themselves. How do you get around that?

MR. DUGGAN: If we get a request, we will investigate them.

MR. POLLOCK: We have a field force in our region that is working and may be responsible for spending a lot of money and inaugurating a lot of programs. You haven't any way to check on those people unless somebody tells on them, is that the idea? Those things usually come out, but there may be many cases where people get a little lax and need watching, and certainly a regional administrator or his force couldn't know everything going on.

MR. KITCHEN: I should think you would be expected to ask the representative of the Investigation Division located at the regional headquarters to make an investigation if you had reason to believe they should be made or if you wanted to know whether a certain activity was being handled correctly, particularly with respect to funds. Generally, the answer would be that unless we had a request, the regional administrator should be responsible.

MR. CAPPLEMAN: Mr. Pollock, most of those things should be handled from the administrator's standpoint. If we have a showdown, we should ask investigators to go in. I wouldn't want the investigators to become known as spies on our own personnel because they have to work with them so much on other things.

MR. POLLOCK: In the case of food stamps, I understand you have a systematic check on those merchants who are operating under this plan. Is this a function of your organization or is that conducted by the Distribution Branch?

MR. DUGGAN: Now it is conducted by Distribution. If there is evidence of a criminal violation, that is turned over to the Investigation Division.

MR. KITCHEN: I think the point Mr. Cappleman made is very good and I have had some apprehension about it myself. Mr. Duggan and I have discussed that and I think it is generally agreed in the Administration that we do not want the Investigation Division to become known as a snooping agency, as Mr. Cappleman says. We do not want our employees to feel we have a Gestapo agency in our midst. I know of nothing that will destroy confidence quicker. Of course, some people will get off the track, but as far as investigators' relations to employees, their duty is one of getting facts and we will determine administratively what should be done about it. That doesn't mean investigators may not go into any of our field offices, especially if they are handling money, and make sure the procedure followed is correct, and I am sure it is our policy to do that in an open and friendly way. In case of misconduct in handling of funds, there will be times when he will have to make a strict investigation of the employees.

MR. DUGGAN: Just as the Department has always done.

MR. BUFFALO: Is that handled by the Investigation Division, by Personnel, or by the Secretary's office?

MR. DUGGAN: According to this set-up we have, I think we will handle that.

MR. KITCHEN: If we have an employee that should be investigated, if we have reason to believe there has been irregularity, for the most part we will try to get the facts. There may be various cases, possibly involving criminal action, where Mr. Forster, who is in charge of the Department investigational force, will be called in. In any event, any report made would have to be passed upon by the chief investigator of the Department before disciplinary action could be taken or prosecution instituted.

MR. KITCHEN: Any other questions while Mr. Duggan is here?

MR. MATHER: What happens when you train a new man?

MR. DUGGAN: That is a good question. We have a manual of rules and regulations which is issued to each new agent, employee, and accountant. That manual sets out in some detail recognized approaches to various types of investigations and covers in considerable detail the various programs - historical and factual information with respect to the program. It also contains information with respect to administrative matters. In addition to that, we have held group meetings in the field offices where the agents were given an opportunity to discuss their problems and review their work over a period of months, those meetings being in charge of some member of the Washington office and from time to time, of course, on the basis of written memos issued from the Washington office, so that we have been in reasonably close contact with them and endeavored to capitalize on their capabilities and their special skills.

MR. MABEN: Will these men you have in the regional offices, based on fact-finding presumably, report directly to Washington and will the regional director tell them to make an investigation or will he request them to make an investigation? I am thinking you may have

investigations in the Washington office. Will final say be in Washington or the Administrator's hands? Is there any control on what the men do?

MR. DUGGAN: I have not had the benefit of what went on here Tuesday and Wednesday. I can tell you we have operated this way up to this point: With the line of authority directly to the Washington office, with special agent in charge of field activities answerable to Washington in line of authority and not directly through the regional office.

MR. KITCHEN: Now, Buell, on decentralization, that would come out through the regional administrator to your agent. Otherwise there could not be any coordination of your work. How are you going to pick out the most important thing to be done at the moment?

MR. DUGGAN: Buell, we have never attempted to regulate assignments in the field. We have left that to the administrative judgement of the special agent in charge.

MR. KITCHEN: I didn't hear all the discussion on that point. I would think though that Mr. Mabon has stated it about correctly. These investigators would be attached to regional headquarters, and I would expect that on general investigations that they would be taken up there and handled. Now, of course, the report should come in here with recommendation of the regional investigator attached to it. There might be special situations where the regional administrator might write to us, where investigation is expected, but the general routine, I should think, would be handled through the regional investigator's office.

MR. GAGE: I suppose that the line of demarkation between your scope of investigation and that of the Secretary's office will be cleared up. The question comes to me because once in a while a case comes up which might involve prosecution under a Federal statute that has no relationship to marketing agreements, stamp plan, or anything of that sort. I have a case now, I don't know whether it will call for prosecution or not, but an outside party has assaulted and threatened a Government employee. I just judged from your description of your activities that that would be outside of your domain and more properly the domain of Forster's.

MR. DUGGAN: Or possibly a police matter.

VOICE: Yes, and if it is a violation of a Federal statute beyond police power, possibly a Federal court.

MR. KITCHEN: That is a case where Colonel Palmer might want to exercise his military experience. If an employee who has a reputation of being a bad man got drunk and undertook to run one of our men out of town by threatening to kill him, perhaps it was the best thing for our employees to do under the circumstances. I don't think we are through with that case. I think maybe there is some Federal action that could be taken in this situation. I would think that the regions certainly ought to get the facts on a matter of that kind while they are fresh, and if it involved calling on local police to investigate, I would expect them to take that action and then report it here and see if the Department of Justice could institute proceedings.

COL. PALMER: Some of these things are so drawn out that by the time you get through, you wish you had never started.

MR. KITCHEN: I think, Colonel, that Mr. Duggan and regional administrators will be able to expedite those things quite a little. When we have a situation that needs correction, we want to move into it promptly.

MR. CAPPLEMAN: Regional administrators should become acquainted with the District Attorneys in their regions.

MR. KITCHEN: I think so.

VOICE: We have had cases of that kind where District Attorneys have helped out, but sometimes they don't. They block out everything if they are not good.

MR. CAPPLEMAN: If they will work with you like they do in our part of the country, you can get somewhere.

MR. KITCHEN: That is right, he can block everything. I think our men should get acquainted with U; S. District Attorneys and explain to them the kind of problems that come up. If they go to them, nine times out of ten they will get action.

V
BUDGET AND ACCOUNTANCY DIVISION

W. B. Robertson, Chief

For the past two days, the Branch Chiefs have been explaining to Regional Administrators the regulatory work of the AMA and the technical considerations involved in purchase and distribution of commodities for which the Regional Administrators will become responsible under the reorganization of the field services. I imagine that by this time, the Regional Administrators are fully impressed with the fact that they have assumed responsibility of very technical and complex functions. The work of the Budget and Accounting Division is very complex, but the Regional Administrator won't have to worry about that. I will see to it that they will not be concerned with Budget and Accounting until they have the time and inclination to delve into those matters.

When I was in college, I took a course in economic history - in this, I learned that as late as the time of Queen Elizabeth, monetary metal was so scarce that wealth was measured principally in terms of land and cattle. The discovery of vast deposits of gold and silver by the Spanish in Central and South America and the appropriation of the loot by the British privateers changed all that and ushered in the commercial age. Money became the prime mover of business and the common denominator of all commercial values. For the past 500 years, business men have had to work with budgeteers and accountants - this is not the fault of the individual but the fault of the system. The substantive work of the Budget and Accounting Division is suggested by the title - it is concerned with various aspects of budgeting and accounting. There are both administrative and technical considerations involved in the administration of any field of technical work. In so far as our work is technical, it is concerned with principles and procedures of accounting. Some of the Regional Administrators may have a working knowledge of accounting - others may not. But there is nothing I can do about that, so I will prefer to talk about some notions I have as to the relationship of accounting to administrative management.

To illustrate what I have in mind, I would like to point to some parallels between the practice of accounting and law. The law has been defined as a rule of action which will be enforced by the courts. In the modern world a business administrator is surrounded by law - every deal he makes has some obvious or obscure legal significance. In order to keep out of legal complications - and out of jails sometimes - the administrator needs an advisor to keep him informed of the legal effect of the action he proposes to take. It has been said that there is no such thing as a law without a set of facts that may be applied. The business counsel requires knowledge of the law and the facts that the Administrator is dealing with. To make sure that he has all of the material facts, and is familiar with all of the practical considerations, the counselor works in close cooperation with the administrator - a relationship of mutual confidence must exist between them. The counselor is engaged in the practice of law in a very different way from a professional investigator or detective. Accounting is a means of determining the fiscal effect of business transactions and conditions. In order to operate in a commercial world within a predetermined budget and without going bankrupt in the absence of one, the Administrator requires the services of a staff officer to advise him on the fiscal effect of his proposed actions. Such an advisor needs an accounting background - but there is no accounting without something to account for - he also needs information as to plans and

procedures the Administrator has in mind. The accountant who discharges this function and also maintains the books of account for the business concern is called a comptroller. He is engaged in the practice of accounting but in a different manner from a professional detective engaged in the investigation of fiscal irregularities or from a public auditor whose duty it is to review and verify fiscal determinations made by the comptroller.

The control of money is inseparable from the responsibilities of the administrative management - for that reason, it is the duty of the budget officer to advise so the administrator may decide. The Budget Officer of AMA is, in effect, the Budget Officer to the Administrator and not of the Budget and Accounting Division. His status is that of Chief of the Budget Section - under the proposed plan of reorganization, I suggest that the regional accounting officers should serve as Budget Officers for the regional administrators. The functions of the Accounting Section of the division are to handle fiscal operations and other custodial work, prepare payrolls, and maintain books of account. Unlike budget work, which is purely advisory, accounting work is less influenced by policy - it is more influenced by well settled principles. Admitting the facts of a given business transaction, the conclusion in accounting terms would follow. It would be impossible for a public auditor to come in and verify the conclusions of the Budget Officer because they are influenced, to a great extent, by the policy of the Administrator. It is not only possible, but common practice, for a public auditor to come in and verify the conclusions of comptrollers. From time to time, there have been conflicts between accountants and administrative officers. I think that it may safely be said that such conflicts could be explained by lack of understanding by accountants of the problems of administrative management - or by lack of appreciation of the requirements of accounting by the administrative management.

Knowledge of accounting is not a required qualification of the administrator - neither is a knowledge of law. He can't be expected to be a technical expert in all of the fields of work under his administrative control. In other words, I think it is the duty of the accounting officer on the staff of the Regional Administrator to familiarize himself with the practical problems before the administrator, rather than the duty of the Regional Administrator to familiarize himself with the types of problems of accounting. Someone has to bridge the gap - and I think the accountant has more time and opportunity to do it than the administrator. I believe that the accounting officers that have been selected for the various regions will be of real service to the Regional Administrators. Some may lack experience in dealing with administrative problems, but I can assure you that they will be properly oriented towards the comptrollership function and realize that they are supposed to work for and with the Administrator and not against him, when they assume their duties under the reorganization.

MR. CANNING: I think it would be interesting to hear about your pricing activities with respect to the food going to the Islands.

MR. ROBERTSON: We are inaugurating a new accounting policy which is based strictly on commercial plans of accounting - I think that accounting for the commodity purchases, etc., falls into two general classes. Many of those we have been applying to operations in quantities - that system seems to be adequate where we are expending appropriate funds which are not reimbursable in any sense - the administrative determination would be made as to how much

of that money would be expended on the various programs, then we would count the charges up to the limit of the allotment. This system which we still use in accounting for administrative expenses is what I would call the locked account. But now there is no limit to the operation with an allotment of 10 million dollars, as the Hawaiian program, for an indefinite number of years - so the allotment control system has to be a practical means of administrative control. The General Commodities Purchase program was organized on an allotment basis. We purchase various commodities all over the United States - purchases are influenced by markets, transportation, etc. When this program was organized to purchase commodities for lend-lease, an accounting procedure was outlined by Lend-Lease to be followed by all of the Operating Agencies - War, Navy, Treasury, etc. Lend-Lease administration prescribed a procedure under which we were to determine the provisional cost of each delivery made to a foreign government. It was tied down to a specific lot - there were many operating differences between our operations and the Army, Navy, etc. The Army was buying manufactured articles - so were all others, except ourselves. A contract of all of the articles produced under that contract could readily be identified with shipments - when the manufacturer had attained his quota, the program was over, the Army or the Navy paid the bills. One of the initial requirements of the Office of Lend-Lease Administration was that we send over there copies of all our contracts - we got out of that very easily, because one of the first things we bought was shell eggs. They decided that they did not want them, because they soon discovered they could not do anything with them - it was impossible to relate any delivery on the British Requisition with contracts for the purchase of shell eggs.

The theory of the original plan was, apparently, that the British and Russians would take such a large volume of agricultural commodities that a national average basis would average out in the case of each one of them. It became apparent that the national average was not a satisfactory basis for the Hawaiian program. The Hawaiian program was organized because of interruption of shipping due to the war. There are five large merchant interests in Hawaii that formerly supplied practically all of the products to the civilian population - they were very familiar with price structures on the continent. There would be a great deal of criticism of our activities if we would hold prices of the commodities to be transferred to the Islands with those current in New York, Chicago, etc. It was quite an accounting job to trace the origin and movement of each commodity we delivered. The commodities had been mingled - with every succeeding month, it became more and more difficult to determine the accrued cost of the lots delivered. After we got into the Caribbean program, we were confronted with even more unusual conditions. At first, the Maritime Commission ruled that all Caribbean shipments would have to clear through golf ports. The stuff would then have very high prices on those specific lots transferred to the Caribbean program - so that we can quote sales prices in advance of the delivery of the commodities, we inaugurated a good policy under which the inventory from the United States could be organized for the torrid zone in which we figured in the cost of production, marketing, transportation factors, and arrived at the actual cost of the commodity. The plan has not been very far developed, so I can't say definitely - but there is uniform agreement that this procedure is the way to go about it. The only other alternative was basic cost. Many people don't like that. If we use any national average system or basic price system, we could just forget about selling anything to the Army. The past two or three days I have been working on a different phase of this price arrangement - that is the establishment of selling prices for Hawaii which will become effective September 1. One policy we adopted was that we asked them to deliver

the commodity in San Francisco, get all the costs to Honolulu, accrue the trucking charges to the dock, and base the selling price on the accrued cost. That procedure was adopted and has been in effect ever since - it has produced some broad fluctuation in sales price in Hawaii. These conditions were explained by not having sufficient advance information on what was needed in Hawaii. One specific case - some corn was requisitioned and we had only a few days in which to make the sale and deliver it on board ship - it was necessary to buy this commodity in San Francisco and Stockton at various disadvantageous prices - if we had had two weeks to get it, we could have gotten it much cheaper. Some of those things possibly can be corrected. We have been called upon to announce our sales prices and why - we have been going at it from all kinds of angles. By the adoption of some statistical methods, we have charted part of them. In some cases, we don't have any backlog of the commodity - in those cases, we have to call upon the merchant men and the appropriate commodity branches to give us an estimate of what the FSCC price in San Francisco will be during September. We will add the margin, we will estimate our sales price in Hawaii and that price will be quite reliable for a period of 60 days, because there is approximately a 30 day lapse from our purchase in this country and the time the sale is made in Hawaii. We are going to try to keep the price in effect for three months - I don't know what will happen after the second month. That is what we are working on at the moment - by tomorrow afternoon, we hope to have the schedule of the price for everything we are dealing in in Hawaii - a fixed sale price for the next three months. Our next thing will be to do something for the Caribbean and for GCP Programs, also on transfers to Lend-Lease and sales to commercial buyers.

AUDIT DIVISION

J. O. Harrill, Chief

First, I want to state, in connection with decentralization program, that the Audit Division is ready to cooperate and do everything it can to put the organization under way. I can stop right there. The Audit Division is concerned primarily with the audit and certifying of vouchers for payment. In other words, we do not concern ourselves with audits not involving Government funds. There are auditors in the investigation division who audit books and records pertaining to marketing agreements -- there are auditors in the Commodity Exchange Branch -- their work is confined to regulatory work and records where Government funds are not involved. We confine our work to the audit and certification of disbursements of Government funds. It is our duty to see that the expenditures are made in accordance with existing laws -- Comptroller General's decisions, Department regulations and administrative regulations. At the present time, 93% of our work in the Audit Division is decentralized and has been for a number of years. If we had waited until tomorrow, I could tell you that 9 years ago, we started our first field audit office. At that time, our work was in the Triple A. In the last few years, it has moved to the FSCC, FMA and AMA. Section 32 work started in 1933. I think Mr. Kunkel recalls something of those interesting days we had at that time. The "Little Pig" Purchase program was our first field job in 1933. When we arrived out there, the packers had delivered several million dollars worth of pigs and had the vouchers on hand waiting for Audit Office to open. We have learned quite a little since then with our experience in the field; we still have more to learn. We won't ever reach the point where everything is learned. As I stated before, 93% of our work is already decentralized. At the present time we have two types of work in Washington to be sent to the field -- the administrative audit work in connection with former AMS ----- except field payrolls. We expect to decentralize the balance of that as soon as the Branches and the Regional Administrators are ready. We started taking steps the first of July to decentralize Commodity Transportation Audit. At the present time, we have over 100 employees here in Washington working on Commodity Transportation audit. Last year, up through June 30, we handled 201,000 Bills of Lading, totaling 40 million dollars -- for the current fiscal year we expect to have about a 50% increase in that type of work.

We have talked a little about further decentralization of audit -- it may sound strange here, but I want to talk about centralization. It is not to centralize back in Washington -- it is in connection with centralizing all of the audit work into one field office in each region. At the present time, we audit through from two to six offices in each of the present regions. For instance, in the old so-called Region I, we have 5 audit offices. That will be broken down into two regions -- it is our recommendation that the work be consolidated into one office in each region. That is a question I want to take up with each Regional Administrator sometime in the near future. Personally, I think we can save quite a bit of money by consolidating. The employees we have working in Washington in connection with commodity transportation vouchers will run a little over 100. When we send the work to the field, I think some of the present personnel in the field will be able to absorb part of the work. Instead of requiring 100, we think it might require about 80% of our present Washington force if the work in certain sections of the country drops off in connection with the Stamp Program. Some of the biggest problems we have encountered in our audit work in the last few years has not been in connection with our ordinary audit work -- but what should be ordinary audit work. The

problems come about many times due to the fact that some of the administrative people go ahead and work out a program, and put it into effect without taking into consideration certain auditing requirements. They fail to communicate with us while they are working out the program. Of course, after the program gets under way and vouchers start coming in, then it is not possible to pay them. Many times, we have to do a lot of scratching and digging before we can find ways to get the program out of the hole. I will say that this problem can be and has been cut to a minimum in the last few years -- in most every case, the operating people communicate with the auditors when they are ready to work out a program. If it is an old one, they are pretty well experienced in the requirements and it isn't necessary to get in touch with audit. Let us know in advance so we can sit down and discuss the problems with you --- it is a lot easier to keep the work out of the hole than it is to unscramble it later. As I said, we are bound by certain regulations and it isn't a matter of personal judgment. Our work is subject to a post audit by the Comptroller General. Many times, two years after we have made payments, we are called upon to answer certain post audit exceptions. In many cases, the operating auditor may have left the organization and it is very difficult to explain some exceptions. If the Branches and Divisions continue to get in touch with audit the way they have been doing, our troubles will be kept at a minimum.

You can see that we have quite a bit of responsibility in connection with our work. At the present time, we have almost every type of voucher and problem you might run into. In connection with commodity purchases, we run into problems every day that have never before been heard of in the Government and it is necessary for the auditor to "come up" with an answer sometimes within three or four hours. If we can help you, get in touch with us.

MR. POLLOCK: You mentioned that we could keep out of a lot of trouble if we would keep in touch with Audit. Does that mean we can let those people in the field in on it -- then there will be no need of coming into your office?

HARRILL: Regional Auditors will have full authority to go ahead and help you work out your problems.

PROGRAM APPRAISAL DIVISION

Otie Reed, Chief

I find myself in the somewhat unfortunate position of competing for your attention with men who have had some long history of operation. Program Appraisal Division was put down on paper in April of this year. It wasn't until the middle of May that a Chief was appointed and the work was actually started on the development of a program. I think the quickest and easiest way to give a quick view of the functions of the Program Appraisal Division is to read the memo of Mr. Hendrickson's establishing it. (He then read Administrator's Memorandum # 2, Supplement D) "There is hereby established within the AMA this program"--when you begin to look into the activities of AMA and discover how many various fields of activities and commodities are covered by that one brief statement---there are really an awful lot of headaches and work involved. Since the middle of May, we have been largely engaged in a lot of little jobs. The first was to get a staff--as you know, perhaps better than I, there isn't any available personnel in the AMA organization. Everybody in the Branche is pretty busy and we have had to go outside of our own organization to select or procure personnel. The result was that it has been very difficult to get going. Since the short period of time that this Division was established, the war has taken an even more serious turn...it gets more difficult as time goes on and our work at the present time is largely in the nature of helping in whatever way we can in the conduct of war programs. As an example of that, I might indicate one job that we did and, which will be brought up to date as soon as appropriate arrangements have been made--it is connected with ocean shipping. Around the end of May and the first part of June, we undertook the job of trying to determine whether the shipping situation was deteriorating to the extent that it might influence AMA operations. We embarked on something that really turned out to be a honey. In the first place, information on ship construction was very closely guarded. Most of our information about sinkings, was largely what one reads in the newspaper. We monkeyed around with the thing--prepared a short report to the Administrator indicating the danger in the situation. At the present time, we have permission to contact the war shipping Administration for certain information--how successful we are going to be in getting what we actually need to determine how we stand, we don't know yet. In cooperation with the Transportation and Warehousing Branch, we hope to keep the AMA fairly up to date and to forecast rather adequately what is coming six month's ahead.

Another phase of our operations has been to study the administration of war food programs. Dr. Canning very forcefully stated the situation as far as it exists in this country, and we have been doing some work on the development of knowledge and information with regard to the administration of war food programs in foreign countries. Those nations that have come up against the problems of drastic change have had to make quick shifts of emphasis in food procurement and follow a much more different pattern than we have. They have gone "whole hog" in the business and set up to what amounts to food "Czars."

From the standpoint of long run appraisal work, I don't know how long it will be before we get to any of that. I think our work will divide itself into two major categories--there will be appraisal work that is concerned with a specific operation of a particular branch. For example, there will be appraisal of a particular marketing agreement. There will be another type of appraisal work involving the appraisal of programs that cover a large segment of the entire AMA.

I have had three years experience as head of the Dairy Division and I am well aware of the need for using all of the tools at our disposal. Previously, those tools were not at the disposal of a particular element in our organizational structure. For example, Market News Service was handled through one Administration; Marketing Agreements in another unit; grading and weighing and inspection might be handled somewhere else. Various regulatory actions were not handled in one organization--today, they are. That appears to be a great step forward in the development of programs pointed toward improving or influencing the market structure.

I don't want to take too much time--I do want to make a few remarks about what our attitude is going to be. In the first place, we are going to have a small staff--probably not more than 25 people. We may get somewhat more than that. I think the term Program Appraisal is liable to make some people wonder what it was established for. Is it an outfit that is going to look things over always with the attitude of trying to find something they can grouch about? So far as we are concerned, we are not going to run that type of show--it is not going to be an "Oh, My God" outfit. Criticism that is entirely destructive is not worth the bother and we are not going to do that. Our staff is being selected on the basis of getting people who have that type of cooperative attitude. We feel our job is to help and improve AMA. We don't want the men in the field to think we are packing on their own preserves. As it so happens I was in Dairy for three years, and it was a very complicated organization--it was everybody's business. Some of the best ideas I got in running the Dairy Division came from fellows who were not milk experts and who raised Cain because the program was set up in such a complex manner. In so far as we are concerned, we expect to cooperate with regional offices and branches--we will do service analyses for the regions if they desire, and we believe that, while we haven't got a great deal to talk about now, once you have worked with us a few times you will be glad.

DAIRY AND POULTRY BRANCH

T. G. Stitts, Chief

The Dairy and Poultry Branch, as the name implies, operates in both the dairy and poultry fields and includes grading and inspection work, preparation of market news reports; establishment and maintenance of marketing agreements and orders; purchases of products for lend-lease, relief and school lunch programs and to some extent for our own military uses.

Time will not allow detailed discussion of all of these various operations and I will pass over some of them in an extremely cursory fashion and devote more time to that work which probably is of particular interest to you.

You are probably all familiar with the series of market news reports which are published regularly. We operate a series of offices from which inspection, grading, and market news work is carried on. In this connection we employ a large number of licensed graders to do the actual inspection work. Prior to our lend-lease operations, the inspection work for certain of the products in which we operate was extremely limited. With advent of lend-lease purchases and the necessity for buying in accordance with definitely prescribed specifications, this work has increased tremendously. In the dried egg program, for example, prior to the present emergency the industry was producing at about the rate of 10 million pounds per year, and there was relatively little inspection of this product on our part. Present production will amount at about 300 million pounds per year, of which about 200 million pounds is the estimated requirement for lend-lease and 28 million pounds for our own military services, all to be purchased in accordance with detailed specifications. To meet this need it has been necessary to build up staffs of people, get experience, set up laboratories, and assist manufacturers in making a product which will meet our specifications.

I do not propose to comment extensively on the poultry program, but rather to request that Mr. Kinghorne add such further comments as he may care to make.

I mentioned earlier that one of our jobs was that establishing and maintaining marketing agreements and orders. Some of these have been in effect for a number of years now and many of you are undoubtedly quite familiar with them. We now have in effect some 30 marketing agreements and orders, 29 of which regulate fluid milk markets and one of which covers the evaporated milk industry. There are 20 fluid milk markets which are affected by federal milk orders. As you know, these orders provide prices which handlers shall pay for milk used in specified classes. The administration of orders is carried out by a market administrator under whose direction the records of the handlers are audited regularly to determine that they are complying with the Provisions of the orders. Each of these markets is, in general, self-sufficient, since it is financed by deductions from handlers in accordance with the volume of milk handled by them. Although these orders cover only a relatively small proportion of the total number of fluid milk markets in this country, they do represent something in excess of 135,000 farmers.

I expect that all of you probably are more interested in the present lend-lease purchase program than in any other phase of our operations, since it is the newest of our responsibilities and the one which is most in the lime-light at present. As I indicated earlier, however, I am going to limit my remarks to dairy product purchases and will ask Mr. Kinghorne to make some comments on the poultry purchase program. In accordance with our policy of attempting to supply all of the dairy products requirements of our allies, we have been called upon to supply a number of dairy products, including evaporated milk, cheese, dry skim milk, dry whole milk, butter, and limited quantities of sweetened condensed milk. The volume of the various products which we have been called upon to make available has varied from time to time as conditions have changed and as the theaters of war have been expended. Up until several months ago we were thinking in terms of 22 million cases of evaporated milk, 250 million pounds of cheese, and 200 million pounds of dry skim milk. Some of you are undoubtedly familiar with the shifts which have taken place in those requirements.

For example, the need for evaporated milk which originally was considered the most urgent, has now been moved to a secondary place and a more recent estimate of requirements only calls for 7 million cases, although it now begins to be apparent that somewhat more than this quantity will be required. This change in requirements probably does not represent any decreasing need for the product but rather the fact that the shipping situation has become extremely serious and evaporated milk, which reduces the volume of whole milk by 50 percent, is still bulky compared with some other dairy products. However, as a result of the original requirements we geared our prices in such a manner as to encourage increased production both by regular evaporated

milk producers and by diverting milk from other uses. Very heavy diversion was made and we accumulated a large quantity of evaporated milk which since March 1941 has totaled about 43 million cases. Meanwhile, as soon as it was known that requirements has changed, evaporated prices were lowered in an effort to encourage diversion to other products which had become relatively more important. Prices have been decreased from the peak of \$3.55 per case to the present price of \$3.10 per case. The volume of purchases has dropped from approximately one million cases per week to about 125,000 cases per week at the present. We still have large inventories of evaporated milk which amount to somewhere in the neighborhood of 20 million cases. Some of this undoubtedly will be moved into military uses. Other quantities will be used for relief distribution and school lunches. I have gone into some detail concerning evaporated milk because the problems connected with it have been generally misunderstood and further because some of the work from here on in connection with evaporated milk now owned by the Government may fall to you.

There has been some inquiry by manufacturers as to the possibility of repurchasing some of the milk owned by the Government which still carries their labels. If that were done it would probably mean considerable scurrying around to find where it is stored and probably it would be found in a multitude of places. It isn't certain whether this will be done, but if it should be you people might well have a hand in the operation of the deal. If that should prove to be the case it probably is well to emphasize that we have an extremely valuable lot of products stored and while it probably will keep for a considerable length of time if properly taken care of, it needs close attention. It doesn't need to be kept in cold storage but does need to be kept in a good warehouse and needs to be turned every 30 days or 45 days. I can't emphasize too strongly that if you should have the responsibility for supervising some of this evaporated milk that you would save the Government thousands of dollars by seeing that it is properly taken care of and properly stored. Further, it is absolutely essential that every effort be made to see that the oldest milk held by the Government is moved out first. I hope that if this does come to be your responsibility that you may be furnished with lists of inventory showing the ages of the product and that you will see that what we purchased last replaces older evaporated milk.

With respect to cheese, you will recall that I said our original requirements were estimated at about 250 million pounds. In contrast to the evaporated milk, cheese requirements have increased as time has gone on so that our present annual requirements may amount to 350 million pounds. Somewhat earlier we were buying tremendous quantities of cheese partly as a result of our price policy and partly as a result of the patriotic response of producers to our call for increased quantities of cheese. Prices have been adjusted from time to time to keep them in line with those of other products and to encourage or discourage increased production of the product. For example, earlier this spring we were paying as high as 23-1/4 cents per

pound for U. S. No. 1 cheese. During the early summer months when it looked as though a too heavy diversion was being made and when prices normally decreased anyway, prices were lowered to 20-1/4 cents. More recently they have been increased to 21 cents. As of August 1 our inventory on cheese amounted to about 166 million pounds. Many people in this trade are inclined to think that we are overloaded with cheese, but for my part I am more afraid that we may be short of cheese next year. Purchases of cheese have dropped recently from around 5 million pounds a week to about one million.

The other major product we are purchasing is skim milk powder. This has presented its own series of problems altogether apart from those developed as a result of the pricing policy followed to secure our requirements of the various products as indicated by our allies. At the outset of the program the requirements for dry skim were in rather general terms and did not specify anything with respect to types of powder. After developing some experience in the matter, however, the British have indicated a strong preference for spray powder. Our purchases, meanwhile, have been heavily loaded with roller process powder. As a result, while we have commitments amounting to about 15 million pounds of spray powder a month, our purchases are running to about 10 million. On roller powder we are having difficulty in getting the British to accept 5 million pounds a month and we are purchasing 15 or 20 million a month. In an effort to provide additional quantities of spray process powder we have recommended priorities for a considerable number of plants and in addition have set up projects to finance some dry skim plants with lend-lease funds. We hope that within the course of the next 6 months adequate facilities will be available to process sufficient spray process dry skim to meet all of our requirements.

There are two or three other comments I would like to make on the general character of the dairy situation as I see it. As a result of our pricing policy which I fear has been somewhat ruthless in certain respects, the manufacturers of certain types of dairy products have been badly hurt at times. For example, we started out with a high price on evaporated milk and cheese but did not need butter. As a result, many butter factories were badly hurt and a considerable number undoubtedly were forced out of business. More recently cheese prices have been low compared with the value of milk used for butter and dry skim powder, particularly spray. As a result, some cheese factories have been forced to close down. Manufacturers of casein have been particularly hard hit because of the fact that one of their primary uses, mainly for paper coating, has been seriously curtailed. With no Government buying of this product, stocks have increased tremendously and many manufacturers are heavily overloaded with casein.

Looking ahead somewhat I see serious problems during the coming year. We started out with a goal of an 8 percent increase in milk production.

The records, however, indicate that our production is now running about 5 percent over that prior to the emergency. Even in spite of 2 successive years of extremely favorable conditions of dairy production, it begins to appear that we shall have some spots where milk production will be too low to meet even fluid needs. In St. Louis, for example, they will not begin to be able to take care of their requirements and will have to go outside the regular supplies for milk. Cincinnati and Louisville probably will be quite short for a period during this fall, although their situation depends to some extent on the quantities of milk utilized by the Army.

Washington is short. Baltimore is short. Norfolk, Richmond, and the whole Southeast area is very short. I feel that it will be extremely difficult during this coming year to keep up the production needed to take care of civilian and Lend-Lease requirements. For one thing, labor is becoming increasingly scarce. In addition, even though production is high, consumption likewise is high. Many consumers not formerly in a position to purchase substantial quantities of milk probably are now doing so. In addition, the Army is following the policy of furnishing every soldier on the continent a half pint of milk a day. I don't know how many were drinking a half pint a day before they went into the Army, but it is quite likely that a sizeable percentage of them were not. One point which is going to make the fluid milk problem even greater is the fact that about three-fourths of the soldiers are going to be trained in the South where milk production is expensive and difficult to increase and where serious problems are involved in holding substantial quantities of milk. We have recommended to the Army that effort be made to use whole milk powder. If this suggestion is followed there will have to be a large increase in powder milk production. It likewise will involve serious technical problems since whole milk powder is apparently one of the most difficult of dairy products to manufacture in such a manner that its keeping quality can be guaranteed for any extended period.

MR. KINGHORNE: Mr. Chairman, Dr. Stitts, and Gentlemen: Our dried egg purchase program that has been mentioned is by far the most significant part of our activity that concerns the poultry industry. It has been estimated that this year we will consume or use in the processing of eggs approximately 17 percent of our total production. It may be well to just briefly state some of the more important factors in our work. Mention was made, I think, with respect to vegetables, as to the location of these vegetable drying plants in relation to production. We quite naturally developed the dried egg industry in an area where it had some growth prior to the initial lend-lease activities. This was in the Southwestern States, Texas, Oklahoma, and Missouri, principally. In the three AMA regions, designated as the Southwest, the Midwest, and the Great Lakes regions, we have about 59 percent of our total production of eggs based on 1941 production. In those same three regions we have 86 percent of our total dried egg capacity. In that area from Louisiana and Texas north to the Dakotas and Wisconsin, we have general farm production of eggs known as "current receipts" or "yard run eggs", which primarily are suited for such processing due to the fact that they are produced mostly on general farms when the fowls have more range than commercial flocks on the Pacific Coast or in the Northeast. The yolks from such flocks have a deeper color, so in processing these eggs when the yolk and the albumen are mixed together naturally the color is lighter when mixed with the albumen than it was to start with. The dried egg therefore has a deeper color from such eggs than those from commercial flocks where the fowls are confined. This is a purely physical thing, and has nothing to do with the nutritive value whatever. In those three regions, we have in the North Central, 32 drying plants; in the Southwest, 22; in the Great Lakes region, 27 drying plants. You may be interested in the extent of concentration of this product. Five ounces of dried eggs is equivalent to one dozen shelled eggs. The dried egg contains only about five percent moisture, so you see the degree of concentration is very great. When properly produced from eggs that are good average quality, that powder will keep at least a year, in average room temperature, that is 70 degrees. The advantage, of course, of dried eggs for lend-lease is due to the fact that you have a highly concentrated product that takes up relatively little space compared with the original product. We have had to develop during this past year, as Dr. Stitts referred to, a system of inspection which has been very difficult because you have a lot of new people coming into it who are primarily acquainted with eggs in frozen or shell egg form, but not with the technical process of drying eggs. We have, I feel, done a fairly good job. We have had to develop rigid inspections in order to insure the keeping quality, we had to be rigid in our acceptances. The program, I think most of you are familiar with. The eggs are purchased on an offer and acceptance basis, the offers are made to our purchase branch and are accepted subject to inspection and then later paid for when

shipping orders are released. Our shell egg and frozen egg lend-lease operations of course were discontinued early this year, due to the fact that we could not get sufficient refrigerated shipping space. Therefore, we had to develop a new type of dried egg distribution on a plan where a large portion of consumers were using dried instead of shell eggs. That was done with a five-ounce package. This showing package is the actual package that is used. These are being put up to the extent of about 20 million a month, and shipped to Britain. Each contains five ounces, which is the equivalent of 12 shell eggs. That is the ration for one person for two months. In addition to this dried egg, however, they have a general shell egg distribution schedule. In the wintertime it allows one shell egg a month, in the summertime about three a month, in addition to the two-and-a-half ounces of dried egg.

QUESTION: What are the possibilities of using it with other foods?

MR. KINGHORNE: It is very practical. You might be interested in the instructions on the package which tell you how to use it. "One level tablespoon dried egg mixture to two tablespoons of water makes one egg. Put into clean bowl, mix until smooth, work out lumps, whip slightly with fork. Suitable for making scrambled eggs, omelets, or for use in cooking in any recipes which normally require fresh eggs. This will keep only as long as a fresh beaten egg." On the side it says: "Must be kept in a cool, dry place, away from anything having a strong odor." On the front it states: "Contents, five ounces net weight, equal to 12 eggs." Also, on the back it says that the price is one shilling, nine pence, which is about 42 cents on the normal rate of exchange basis.

I also want to say we bought this year and will buy around eight or nine million pounds of boned canned chicken. That is used primarily in hospitals and convalescing homes in Britain. We expect that program may be revived this year. So far as production possibilities are concerned in lend-lease and as relating to the poultry industry, the goal at the beginning of this year was about 13 percent increased production. As of August 1, we are running about 16 percent increased production, so we are not greatly worried about that. While poultry is a lot easier to expand than many other products, we feel that there will be a limit in expansion due to labor, transportation, equipment, and especially higher feed prices.

If there are any questions anyone has to ask, I will be only too glad to answer them if I can.

QUESTION: One question about when you open that package. How long will it keep after it is exposed to air?

MR. KINGHORNE: Of course, the liner should not be torn, it should be opened and closed after it is used. It should not be placed in the refrigerator if the liner is torn, especially in England where the air is so damp. It is like a dry sponge, it will absorb moisture very quick.

QUESTION: Their ration is one of those and one fresh egg?

Mr. Kinghorne: One of these packages represents two months' supply, plus the shell eggs they can get. In the winter that is about one, in the summer about three a month. You remember when Mr. Appleby and Mr. Evans returned from England, I think Mr. Appleby said he had had two eggs and Mr. Evans had had three.

DR. GOLD: That was in six weeks. Twice it was dried eggs and once it was plover's eggs.

QUESTION: How does that compare with the pre-war consumption?

MR. KINGHORNE: Of course, the per capita consumption of eggs in England has been under our per capita consumption. That is, the pre-war supply was under, but the English people imported about half their eggs prior to the war. They produced about half of their consumption and the other half came from Norway, Denmark, Holland, France, Germany, quite a few from Canada. But their pre-war consumption was slightly under ours.

DR. STITTS: It is an interesting problem to fool with. Now, they want powdered milk, skimmed milk spray, put up in consumer's packages. It is significant that spray powder is soluble. We are trying to get a package which is not too expensive. A pound of dried eggs costs us a little over a dollar, a pound of skimmed milk powder costs 14 cents. A nickel for packaging on a dollar isn't so bad, but five cents on 14 cents is hard to handle.

QUESTION: What is your production on powdered eggs?

MR. KINGHORNE: This year we bought from January 1 up to August 1, around 180 million pounds of whole dried eggs. That is equivalent to about 18 million cases of eggs, or about 530 million dozen.

MR. CAPPELMAN: Incidentally, in our region, purchases of eggs that have gone in the dried form have abally kept the price up in Texas, Oklahoma, Arkansas, etc.

DR. GOLD: It should.

MR. CAPPELMAN: It has really helped those people in the South and Southwest.

MR. KINGHORNE: That applies to the whole country. As a matter of fact, our drying plants are in 23 States, and while we don't have many plants, every region in the United States does have at least one and some have more.

MR. PALMER: Where is the one in the Southern Region?

MR. KINGHORNE: Lexington, North Carolina.

DR. GOLD: If we look at this in terms of the entire industry, we buy probably more of the egg crop than of any other crop. If we call livestock a crop and call fruits and vegetables a crop, this is our biggest single activity in terms of a crop.

I don't know how much background you men have had. At the risk of repeating, I will quickly review the organization of the Fruit and Vegetable Branch. The work is divided into five divisions which we call (a) Fresh Fruit and Vegetable Division, (b) Processed Fruit and Vegetable Division, (c) Market Programs Division, (d) Regulatory Division, and (e) Market News Division. The work of the Fresh Fruit and Vegetable Division under Mr. E. E. Conklin deals with inspection and the development and maintenance of standards for grades of fresh fruits and vegetables. The Processed Fruit and Vegetable Division deals with inspection of dried, frozen, dehydrated, and canned fruits and vegetables, and the maintenance and development of standards of quality for this group of commodities. Mr. Paul M. Williams is in charge of this Division. The Market News Division issues carlot reports, shippers' reports, and daily marketing reports; and that Division is headed up by Mr. B. C. Boree. The Regulatory Division includes all of our regulatory work which is authorized by the Perishable Agricultural Commodity Act, the Producers' Agency Act, the Standard Containers Act, and the Apple and Pear Export Act. This work is directed by Mr. H. A. Spilman. Market Programs Division is the one in which all marketing agreements, lend-lease purchases, diversion work, and all of our action programs fall. It also includes our general research section, which handles this type of work for the entire Branch.

Our financial statement might be of some interest to you. For the fiscal year ending June 1942, the amount of our total obligations, for salaries and supplies and all costs of maintaining the different Divisions, amounted to about \$1,800,000. Our two commodity divisions together had obligations of nearly one million dollars; \$340,000 for Market News; \$158,000 for Regulatory work; and about \$351,000 for the Market Programs Division. This year there will be some increase in some of our allotments - perhaps somewhere around one-half million dollars more which will cover transfer of funds to us for inspections from Army and Navy and for Lend-Lease shipments. Market News allocations will remain the same. But our Regulatory work will run about \$20,000 more as a result of an increase in appropriation made by the last Congress for the establishment of additional field work in our regulatory activities.

Our field staff is as follows: 172 in the Fresh Fruit and Vegetable Division; 336, according to our last count, in the Processed Fruit and Vegetable Division, including about 37 girls which we are now training as inspectors to take the place of the young fellows who will be shouldering guns one of these days; our Market News staff represents 107 people; our Regulatory Division, 13 people; Market Programs, 24. This makes a total of 652 in the field. The Washington staff represents about 185 people. The Branch thus has a grand total of about 830 full-time Federal employees. To complete the regional picture - and I think you have that already worked out - we have: 189 employees in Region I, 45 in Region II, 43 in Region III, 23 in Region IV, 189 in Region V, 189 in Region VI, and 134 in Region VII.

I want to come back now to the two inspection divisions for a minute or two. The Fresh Fruit and Vegetable inspection work was a War Baby in World War No. 1. It grew out of the operations of the Food Administration of that War for standards - the first potato standards were written in 1917 and administered by the Food Administration. An inspection service was needed to administer those standards. This was carried over into peace time. Inspections for commercial purposes have grown

steadily ever since that time until we are now inspecting one-half million carloads of fresh fruits and vegetables a year, plus large quantities of canned and processed fruits and vegetables. With small appropriations, we did not have the funds to conduct the work at all points in the United States, so it was necessary to resort to cooperative agreements with State agencies. We have about fifty States supplying personnel for fresh fruits and vegetable inspectors which we train, license, and supervise. The total of this personnel is around 1,800 men, operating in various States of the country under those cooperative agreements and under our supervision. Work on standards for fresh fruits and vegetables has been moving along pretty well during the past year. We have standards for practically all the important commodities now. New standards include those for topped beets, topped carrots, internal quality for oranges; and work was started recently in cooperation with the Bureau of Plant Industry for standards of the internal quality of grapefruit. Our aim is to adapt our commercial standards to practical marketing needs not only of the particular industry but also to the general economic conditions of the industry. For example, increasing shipments of oranges are being made from Florida. In terms of the new quality grade, the quality and content of juice inside the fruit is determined on a sample basis so that consumers will have a better chance of judging whether or not they get a poor or a good orange. We think there will be greater need for shipping only topped beets and carrots for the duration.

In the processed fruit and vegetable inspection work we have about 18 cooperative agreements with as many States. This procedure again had to be resorted to because of small appropriations. The work is done by strictly Federal employees all employed by us. It has been necessary to build that line of work very fast because of the immense job of inspecting deliveries to the Army and the Navy and for Lend-Lease shipment. We have had to recruit a force and build it from less than thirty to more than 330 employees.

In our Market News work we have a number of agreements with the States - I don't recall the exact number, but I think about twenty. Under those agreements the States share in conducting the market news work, and in some cases, especially in local markets, they supply offices and office help. We furnish the leased wire facilities and technical personnel. The rest of the expense is divided between the cooperating parties. We are able to provide daily service in most of the important producing areas in this way. In general, we usually carry full cost of the service ourselves with our own personnel in the large receiving markets, but in the local markets and at the shipping points we join with the States in order to round out the service and to provide a uniform reporting service throughout the country.

We have done some regionalizing in the three divisions I have just discussed. Our fresh fruit and vegetable work is handled on the basis of three regions in the United States, with a supervisor in charge of each region. Our processed fruit and vegetable work is handled in about the same way. Here we also have three regions with a supervisor in each region in charge of the work and responsible for the work in that region. The Market News work is less decentralized because of its national character. It is necessary, for example, to transmit daily information from the national markets, such as New York City, to the Pacific Coast promptly.

While we have decentralized it as much as possible, we cannot set up special areas in the country with a supervisor in charge of a particular area.

We are faced with several problems in market reporting. One is to speed up our market news information. A book of figures is sometimes interesting from a historical standpoint, but in trying to operate a fast reporting project "time is of the essence." We have been doing some experimenting for two or three years on ways and means of getting city market information back to shipping points quickly. Two years ago we started what we called "Early Morning Market News" in New York City. We had to change the schedule of a Market News man in our New York office so that this man had to leave home at 2:30 each morning to cover the market, get a preliminary report of the market, and telephone it to one of the larger radio stations by 6:00 a. m. It was immediately put on the air covering the entire Northeastern part of the United States. Growers in that section of the country were able to get the report before 7:00 o'clock in the morning. They thus received information covering market conditions in New York that morning before breakfast. We extended this type of speedy transmission to Florida so that it has been possible for the Florida markets to have market information on leading vegetables from New York City by noon of the same day. We would like to do more speeding up of transmission.

Another thing we are interested in very much right now is to anticipate the development of oversupplies and changes in marketing conditions in advance of the actual situation. We have instructions out now to 12 or 15 Market News men to report to us a week or two ahead of the time when certain commodities will be on the market and the condition in which they think the market will be at that time. In other words, such forecasts based on marketing conditions and past movement of the market for the particular crop enable us to supply advance market information to the Market Programs Division. Necessary action and purchase programs can be started and placed into operation in order to meet a situation when it develops. This is an example of our aim to speed up the market news service and blend it into the operations of the Branch as a whole.

The other day we gave our Market News people instructions to submit to us their ideas as to how they believe the Market News program should be adjusted to work under emergency conditions. As you know, many of our most important defense industries have grown up immensely. In some of them people have moved from other parts of the country so that, for example, we have a situation today in which the New York City market is no longer the most favored market in the United States. It is now a relatively low market because the economic situation in that area is relatively depressed. A new problem confronting the Market News Service is how should it be adjusted to price ceilings and other emergency price regulations.

Our regulatory work involves the administration of a number of statutes which have been in effect for some years. I will discuss the Perishable Agricultural Commodities Act first. It grew out of World War No. 1. After that War there was increasing interest in the commercial production and distribution of fruits and vegetables. A lot of growers and distributors started up business in the far west, and some of them were not too honest. After the experience of the Food

Administration, some persons in the fruit and vegetable industry felt that there was some value in rigid regulation including licensing of distributors. Reputable men in the industry wanted to go back to a Federal licensing system. That is how Federal licensing was again started and became a part of the Perishable Agricultural Commodities Act. The act requires licensing of all handlers of fresh fruits and vegetables and also licensing of canners or other processors who buy fresh fruits and vegetables for processing. If licenses do not comply with the act in conducting their business in a fair and honorable manner, their licenses are subject to revocation and suspension, which is tantamount to being put out of business. In administering a piece of legislation of that sort, we have handled it from a service point of view, using it to improve conditions in the industry by trying to keep dealers out of trouble. There now are about twenty thousand licenses a year. The license fee is \$10 a year, and a handler must renew his license annually to keep it in effect. The income from licenses is about \$200,000 which comes into the Treasury annually.

No action can be taken against licensees unless there is a complaint. We cannot investigate a person because we don't like him. There must be a complaint against him first. Since the act was started 73 licenses have been revoked. There have been about 100 licenses suspended by order of the Secretary for a period of ten to ninety days. Ten to thirteen licenses have been suspended automatically as a result of failure to comply with reparation orders issued by the Secretary of Agriculture. For instance, John Jones in New York receives a shipment which he rejects. The shipper complains to us against him. We find the shipper's loss is about \$500 which the receiver refuses to pay. The receiver's license would be automatically suspended. We try to handle the enforcement of the act on an educational basis as far as possible. We have encouraged licenses when they get into an argument to submit their arguments to us and let us judge the dispute. As a result of amicable settlements there have been paid since 1934 something more than \$2,000,000 to the various parties involved. We have developed this procedure even further during the emergency. In view of the restriction of cars on the markets and the need for speeding up transportation, we encourage distributors to submit their disputes to us and abide by our decisions. These disputes are handled very carefully. We conduct a seven-day wire service in handling these cases. So there is no excuse, except lack of manpower on the Washington end, for the industry to fail to take advantage of that service. It is available any day of the week including Sunday.

The Produce Agency Act applies to commission merchants and shippers who handle produce on consignment. It is a criminal statute. Another act that I should mention is the Apple and Pear Export Act, which requires all agencies transporting apples and pears for export to require official certificates showing that the apples and pears comply with Federal minimum quality standards. Since we have no exports at the present time, except a small amount to Canada, this legislation is not very important now. It was sponsored by the fruit industry in order to step up the quality of American fruit being shipped to overseas markets to build markets there for our fruit. It is important to the industry for that purpose. The Standard Container Acts establish specifications for the dimensions of barrels, baskets, and hampers. This legislation does not include crates, cartons, and boxes. We have recommended amendment to the law at various times to include all fruit and vegetable

containers, but Congress has not yet seen fit to enact such an amendment. During the past season we have had quite a few requests from the Department, especially the Office of Agricultural War Relations, for information showing the needs of the fruit and vegetable industry for paper container materials and other things needed for containers and packing equipment. We have prepared quite a few estimates and instructions for these materials which the War Production Board has been using. We have tried to persuade the Board that it should develop regulations to standardize specifications for the dimensions of cartons, crates, and boxes.

An industry committee was organized in January to consider the container problem, and, as a result, it recommended a reduction of about fifty percent in the total number of containers and crates and boxes authorized in the railroad tariffs. But this action is not going far enough to conserve wood, paper, and materials, so for some months we have been negotiating with the War Production Board to issue an order which will make it possible to go further with this and which will aid in conserving containers. This can be done if containers can be used more than once.

The Market Programs Division includes all of the work previous handled in the former SMA Fruit and Vegetable Division such as marketing agreements, purchases, diversion programs, Lend-Lease operations, etc. As many of you know, marketing agreements have been in effect since 1933. Some of them have been changed, others amended, and some have been terminated or replaced. There are now about twenty-five fruit and vegetable agreements, of which seventeen are in operation. The remainder have not been operated during the last year or two. I think that the figures show that those agreements are participated in by around 90,000 growers and the value of the commodities involved amounted to about \$250,000,000 last year. Principal commodities under these agreements are walnuts, grapefruit, and oranges on the West Coast, peaches in the middle west and east, and some vegetables, especially in the middle west. Up to the present they have been a very important device in marketing these commodities.

We are now in a position where conservation is the order of the day. In a few cases we have terminated shipping regulations for California deciduous fruits where it is clear that price conditions would result in grower returns above parity levels. I don't know what the future of the marketing agreements will be during this emergency. As long as prices are under parity for the commodities involved, marketing agreements will be continued.

In our Lend-Lease operations, every emphasis is on supplies for military and overseas shipment. That means supplies in processed and concentrated forms. In order to get production necessary for those commodities and in order to boost farm production to meet our requirements, we have had price programs in effect this year for canned tomatoes and peas. Production this year was in line with the objectives and well above any previous high year.

Since issuance of ceilings by the OPA we have had a lot of homework to do as to ceiling regulations in the development of data needed by the OPA. We have worked with OPA on the adjustment of ceilings and on the subsequent ceiling adjustments. In order to assure production of canned vegetables, it was necessary to announce a support program for twelve canned vegetables on account of confusion on the part of

canners and distributors resulting from the OPA ceiling regulation. The Department has underwritten these commodities at the rate of 92% of the ceilings and stands ready to take the canned vegetables that the canner cannot sell to distributors.

One new processing development has been the dehydration of potatoes and other vegetables. Government requirements for dried potatoes, carrots, beets, and other root crops amount to around 100,000,000 pounds. Last year there was some increase in the dehydration of potatoes. Announcements were sent out last spring to encourage dehydration. Canners and processors have responded pretty well. We have received replies from 175 processors inviting us to consider their plants for conversion to dehydration. Because of scarcity of metals, we have not approved any project requiring new buildings or a lot of new materials in addition to the special dehydration equipment. We prefer and insist that applicants have in hand necessary buildings, preparation equipment, and a track site, so the job can be done by converting those facilities chiefly by the addition of the special dehydration equipment. About forty-five plants have been approved on that basis. It appears that we are going to reach our production goal. We have made loans to only a few processors in order to help them make conversions or to expand facilities. The work of our Market Programs Division is divided into commodity group sections. All of our citrus work is handled by Mr. F. F. Hedlund; fruit work other than citrus by Mr. E. M. Graham; potato and vegetable work under Mr. A. E. Mercker; sugar and special products work by Mr. James Poole; and the Economic Section is headed up by Mr. D. M. Rubel.

Of course I could discuss our dried fruit programs for some time. But I shall make it brief. It has been necessary, as you know, for the War Production Board to freeze our supplies and 1942 crop of dried fruits for Government use. In addition to this action, a conservation order has also been issued prohibiting the shipping of fresh grapes to markets or to vintners of varieties suitable for raisin purposes. This was necessary to gain maximum production. In addition, grower support prices sufficiently high to induce production have been announced. OPA has adopted the same point of view with respect to packer ceiling regulations, and just last week agreed to order ceilings on dried fruits which allow for reasonable processing margins. There is one margin figure for the entire industry for each fruit. The Government buying price also will be the same to all packers, and will be based on the OPA ceilings. The quantity of fruits not needed by the Government for military or Lend-Lease uses will be released from time to time to the packers for sale in their domestic outlets. Based on estimates of production and consuming needs, it appears that there will be no dried peaches, pears, apricots, or dried apples for commercial distribution. We will probably have about one-half of the raisins and one-half of the prunes available for civilians.

I might say one more thing about price ceilings. Fresh fruit and vegetable growers are very much concerned about ceiling regulations. High prices are developing for some items. Lettuce sold for \$3.00 a crate in New York on Monday of this week. This is about 15¢ a head - a lot of money for a head of lettuce at wholesale. We are going to be faced with serious price problems for some of these commodities.

Question: Do you see any serious transportation problems coming up?

Dr. Meal: Yes. We have a very serious rail transportation situation. It may become particularly difficult some time next year, probably next March and again next September when the peak movement takes place. The truck situation also is serious. Growers are being concerned about being able to move this year's fruit crop. In some areas, where motor trucks are the principal outlet for apples, the problem is difficult. The trucks are not there and truckers are not expected. Growers will have to ship by rail and use storage facilities, many of which are no longer available in some sections.

Question: Since these men are going to be in contact with War Boards, wouldn't it be well to say a little about the wisdom of guiding the production?

Dr. Meal: Very much so. If you have been looking ahead, you will find that vegetable production may not be as large next year as it is this year. The job of maintaining production at these higher levels in total and also getting the shipments made in view of transportation bottle-necks is going to be a very large problem indeed. The vegetable job is going to be a very difficult one next year. Production will be harder to maintain in view of the increasing costs of labor and other materials growers need, including the growing shortage of high-analysis fertilizer. At a meeting last night in Norfolk, Virginia, growers were very pessimistic about next season. They say they are going to do the best they can to produce a good crop, but they think they are entitled to at least necessary costs of production. That is a real job ahead of us. Because of their extensive activities, Regional Directors will have a lot of "unfinished business" thrown into their laps. I suggest, for example, that the Regional Directors become familiar with the PAC Act and its operations. This regulatory act ties in with all of the services I mentioned. Every so often we get questions about it. I might suggest that the best way to handle those requests is to refer them either to our field offices - you will know where they are later - or send them in to the Washington office. We have two offices on the West Coast, one in Portland, Oregon, and one in Los Angeles. We also have one in Chicago and one in Fort Worth, and are opening one in New York within the next month or so. You can refer those requests to the men in charge of those offices or wire them direct to Washington. Our technical field men who are working in this specialized field each day frequently have to wire in the facts for a ruling. We operate on the basis of the law and facts and precedents involved, and there is only one place where precedents are kept - that is in Washington. Our advice to our field people is tell persons making inquiries to wire Spilman or get in touch with the nearest field office. I recommend that you do the same whenever necessary.

LIVESTOCK BRANCH

H. E. Reed, Chief

I am sure that you folks who are going out to be Regional Administrators believe that AMA is the best outfit in the Department and it is a pleasure for me to have an opportunity to tell you this afternoon about the best outfit in AMA. I am not going to take up your time telling you how important livestock and meats are in the war effort because you know that. You are going to have a fine time contacting livestock interests when you get in the field. In setting up the Livestock Branch I think one of the main purposes was to get together in the organization all of the service, regulatory and other work relating to livestock so that when folks come here from the country they can go to one place and get the answers to questions relating to livestock marketing. In the Livestock Branch we have the formulation of Lend-Lease and other purchase programs for livestock or rather for meat, we are not buying any livestock at the moment -- fats and oils, fish and oil seeds. In addition we have the Market News Service, the Federal Meat Grading Service, the administration of the Packers and Stockyards Act, the administration of the Insecticide Act, the standardization and grading work on livestock, meats and wool.

The Branch is broken down into five divisions. Preston Richards heads our Marketing Programs Division and I am sorry he is not here at the moment. Then we have the Market News and Grading Division -- Bill Fraser is the chief and he also is not here right now; the Packers and Stockyards Division, headed by Dr. F. W. Miller - and I would like to have Dr. Miller stand up so that you folks can get to know him; the Insecticide Division, headed by Dr. C. C. McDonnell, stand up please; and a new division that is now 3 days old, I think this is the first it has been announced - the Wool Division, headed by Jim Coon, stand up please.

In our Marketing Programs Division our work is to plan and execute programs designed to encourage the domestic consumption of certain meat products, fats and oils, for the development of new and expanded use of meat and meat products, to plan purchase programs for meats, fats, oils and oil seeds for Lend-Lease and other purposes, and to administer the peanut diversion program. Many of you wonder what peanuts are doing in the Livestock Branch. Our primary interest in them is from the standpoint of oil. In Lend-Lease activities, in which we are already putting in most of our work at the present time, our function is to formulate the program, see that the necessary processing facilities are available and carry the program up to the time the Purchase Branch sends out the invitations to bid. From then on our work is in collaboration with the Purchase Branch. We have our hands full at the moment; we are in a tight spot and we are going to be there rather often. We are having a very difficult time getting enough meat to load ships for our allies. We are doing the same on fats and oils and canned fish. You know that the War Production Board has issued an order under which AMA is the purchasing agent for all government agencies for canned fish. We have also gone into the insurance business lately in that we are insuring the Alaskan fish industry. The usual commercial insurance is not to be had because of the great risk involved - so AMA is handling that.

The peanut program was announced Monday of this week and those of you who are going to be in the Southern, Southwestern, and Pacific Regions, are going to hear quite a lot about that - about the time you get to your new posts. Among other things, you are going to hear a great "holler" about higher prices for oil nuts. There is no parity price for oil nuts - there is only a comparable price

and that would be about \$60. The Secretary announced last January that he would pay up to \$82 a ton for oil nuts - but operating costs are going up in the peanut area and producers are exerting a great deal of pressure to get the price up to \$100. The ceiling on oils is such that \$100 is not possible without a subsidy. The Secretary will pay a minimum of \$82 but if the market price on the day peanuts are marketed is higher than \$82 the producer will be paid the higher price.

In our Market News work we have offices at 32 markets. Four of the offices report on direct marketing. The principal "direct" reporting office is Des Moines, Iowa, covering the State of Iowa and southern Minnesota. We have another at Thomasville, Georgia, covering the southern area. We have a couple of points in the range States where we are reporting on the direct marketing of lambs. The remainder of the offices are located on the terminal markets and are staffed in accordance with the importance of the market. In a place like Chicago, we have one or two men on the cattle market, a man on the hog market, and a man on the sheep market, who follow the market from early in the morning. About 11 o'clock they are able to quote prices by grades using Federal standards for the livestock that is available for sale on the market on that particular day. In addition to that our market news offices compile certain market statistics which are brought together in a weekly report issued from Washington. The narrative of those reports is written in the field by men who are in the best location and the best informed on the particular class of livestock they are writing about.

Our Federal meat grading service is in the same division as Market News and in the field our graders are officed with our market news reporters. The grading work has quadrupled in the last year. I think on July 1, 1941, we had something like 70 meat graders and today we have about 275 meat graders and we are going to have to increase that pretty soon. The OPA will shortly issue an order requiring that all Choice and Prime beef in the United States be graded by a Federal grader. For about a month packers have done their own grading - and just as you would expect, a mess developed. Much of the meat was over-graded one or two grades. The new order, we think, will increase our work a great deal. I would like to add, in connection with the Federal meat grading service, that the work is entirely self-supporting. Fees are charged for the grading and I think this year our fees will run something in excess of 1 million dollars. Most of the work has to do with beef. The OPA order will bring us into the veal field a great deal. Just how it is going to work on pork, lamb, and mutton we do not know yet. Beef is the big problem of the moment.

I think all of you know that the Packers and Stockyards Act grew out of the investigation made by the Federal Trade Commission after the last war. The Act was passed in 1921 and I am frank to say that in many respects it has certain earmarks of a horse-and-buggy act and should be traded in for a new act, but so far we have been unable to get Congress to amend it and we are going along with our present act. We are trying to administer this Act in a way that will assure those folks who market their livestock through posted markets that they can do so and know that they are going to get full and correct accounting, that their livestock is going to be properly weighed, that all the operators on posted markets are bonded, that free and open competition exists on the market, and that there is an absence of "shenanigans". The Act requires that any stockyards over 20,000 square feet in area, doing an interstate business, be posted. You know that during the last 15 years there has been a great decentralization of livestock marketing. You can expect that with the improvement of roads, hauling livestock by trucks and the movement of markets closer to farms. There also was an in-

crease in population in the producing areas. In addition, after the last war the independent packers had a pretty good round, while the national packers were recovering from the effects of the war. There has been a great increase in the number of small markets. I think back in 1925 there were about 75 markets posted under the Act. Today we have 230, and if we went after them we could probably add 200 more in a short time. But we haven't the money. If we posted additional markets we would merely be giving the rating of a posted yard but supervision would not amount to very much. So we are cutting down and not posting new markets. You regional administrators are going to be asked "Why don't you get this market posted or that market posted?" and the answer is that we haven't got the money to put supervisors on there and there is no use posting if we do not have the money to supervise. We go through all the pain, and no pleasure is involved, in making rates just like the Interstate Commerce Commission and Public Utility outfits and we really have some headaches over that. While Congress said the rates must be reasonable they did not give us any formula for arriving at a reasonable rate, but having been through the courts a number of times we arrived at a formula that seems to work very well and that the courts have been able to uphold.

The Insecticide Act was passed back in 1910 and was designed to prevent adulteration or misbranding of insecticides and fungicides, and of course it, like all Federal statutes, is limited to those products that move in interstate commerce. The Insecticide Act needs some publicity and I am hopeful that you Regional Administrators can give us some help on that. Then we stop to think that in these United States we cannot produce livestock or fruits and vegetables or any other farm commodity without the use of insecticides and fungicides, then we realize the importance of the Act. And at the present time, with the Secretary and the Department asking American farmers to produce all they can - the demand for insecticides has increased a great deal. Then, too, our imports of raw materials and also our domestic stocks of raw materials used in the insecticides and fungicides have been greatly reduced. They are being used for war purposes. With the great demand for insecticides and fungicides some manufacturers are going to supply that demand even though they do it by supplying sawdust and gasoline. That is where Dr. McDonnell and his boys come into the picture. They pick up a sample, test it in the laboratory, and if it is not according to law, we have to take the manufacturer "over the jumps". We have our largest chemical laboratory in Beltsville. We also have a 28-acre farm we would like to have you look over. No fine livestock out there - they are used there to try out samples. We have a chemical laboratory in New York, one in Chicago and one in San Francisco, and the country is covered by eight inspectors. Those in the New England States and around Chicago spend a great deal of their time in manufacturers' plants obtaining information on what insecticides are being shipped and where they are being shipped to, because, as I told you, the product has to move in interstate commerce before we can pick it up. When an insecticide arrives at its destination, an inspector comes along or asks another AMA employee to pick up that sample and secure the necessary documents to prove that it has moved in interstate commerce. If it doesn't pass the laboratory tests, we go after the product or the manufacturer or both.

In our Wool Division, which has recently been set up, we have the formulation of wool and wool top standards, mohair standards, and for the last few years we have been doing quite a bit of work on shrinkage. You know the value of wool is determined by the clean content of the wool. Up to now determination of shrinkage has been sort of a by-guess-and-by-gosh proposition. But the folks in the Wool Division have developed a method by which they can take a very small sample of a lot of wool, put it through a scouring process, and

come pretty close to the shrinkage of the entire lot. That is being well received among growers who before had to depend upon the buyer's guess as to how much the wool would shrink. And if you were the buyer you know how you would guess it - and that is how the buyer guessed it. One of the important things before the Wool Division at the moment is the proper baling of wool. You know what the storage situation is and that an adequate supply of burlap is out of the question. No matter how reluctant we are to change our ways, I think all of you will admit that bagging wool is not the best way to handle that wool. So last spring we got hold of a little money and bought 3 second-hand cotton gin presses. One is at Denver, one at Billings, and one at Portland. We have been baling wool on an experimental basis. One of the most striking things the boys told me when they came back from the West was that wool shipped in two cars from Montana to one of our balers was put into one car after baling. Whether we want to bale or not, we just won't have enough burlap next year to bag our wool in the usual way. Baling will also help the storage as well as the transportation situation. You folks out in the western region know that this Australian wool is being brought in under one of the United Nations covenants and is being shipped and stored as far east as Montana because of the congestion in western ports. The wool situation is going to become more and more important, we think. The Australians are doing a bang-up job of packaging their wool; it is very carefully graded and baled and our manufacturers are getting a taste of that kind of wool. When the war is over I don't know, and neither do you, what is going to happen to our wool tariff, but chances are that more imported wool is going to come into this country than in the past. If we are to meet the competition from foreign wool, we must do a better job of preparing our domestic wools. For that reason our people have been very careful this year to see that wool going into experimental bales is properly graded, as we feel nothing will give baling a black eye so quickly as to have the bales contain some of the things that bags have contained heretofore. Objection would be raised if there were 3 or 4 grades of wool in one bale and keeping the grade straight and preparing the right kind of bale is a very important part of the work we are now doing. Our mohair work will have to slow down until we obtain some more money. We had a cut in appropriations this year and we are going to have to go easy on the little money we have left.

That gives you a brief over-all picture of the Livestock Branch. I am not prepared to tell you today what part of our work can be handed over to Regional Administrators, nor am I prepared to tell you that none of it can be handed over. We have not gone into the question as yet. Naturally, as Mr. Hendrickson told you yesterday, as short of money as we are, we are going to use your offices for all the free work we can, but just what line that is going to take I am not prepared to say today. I am wondering if there are any questions as to these different lines of work?

MR. CAPPLEMAN: How about Australian wool?

JIM COON: Australians prepare their wool at shearing stations; they take off all the objectionable parts of the fleece, grade the wool and bale it and compress it in the bales to 300 to 325 pounds.

MR. CAPPLEMAN: They do not scour the wool?

MR. COON: No.

MR. CAPPLEMAN: On this peanut deal - that question has already come up in the Dallas region and it has also come up in Atlanta - it is true that they agreed

that \$82 a ton would probably be sufficient, but no one dreamed at that time of the additional cost we would have over what we have had in the past in handling these extra peanuts. There are a lot of new points that won't be able to handle them as efficiently as the older ones; the labor situation is getting pretty rough; and there are a number of other elements that have entered in. I don't know what it will run into.

MR REED: From what you are saying and from what other folks who come up here are saying, I am inclined to think there will be a reduced acreage next year. I do not know how an increase in the excess peanut price can be made with the present ceiling on oil and the prospects that the supply of oilmeal is going to be clear out of proportion to the demand. We are up against a pretty tough proposition. When the Secretary made the \$82 announcement we did not know what OPA was going to do. You talked yesterday about Section 32 funds; Section 32 funds are being used to divert quota peanuts to oil uses. Maybe I am too optimistic, but I have hopes that the demand for peanut butter and confections will be large enough to take most of the quota nuts and that our loss will not be too great. Commodity Credit is underwriting the excess oil part of the program, even though A.M.A. is administering it. Along with that they are underwriting, or hope to, the price of meal.

I do not think I mentioned it when I was talking about this division, but the Marketing Programs Division has no field staff, except for 4 or 5 people working on the peanut program. Mr. Morgan, one of our meat specialists, goes out to Chicago about once every two weeks to follow up with the packers. Our Wool Division has no field staff at the moment, but the other three divisions - the Market News and Grading, Packers and Stockyards Division, and Insecticide Division -- are essentially field outfits. The Washington office is little more than headquarters.

I have enough functional charts of the Branch to give each Regional Administrator one if he would like to have it. They outline pretty clearly what we are doing. I would be glad to have each of you take one. Thank you!

COTTON BRANCH

Carl H. Robinson, Chief

The purpose of this talk is to familiarize employees of the other Branches of the Agricultural Marketing Administration with the work carried on by the Cotton Branch. Very little needs to be said about the organizational set-up, since interest probably centers on what the Cotton Branch is trying to do and some of the problems encountered in its programs. Some of the most important lines of work will be treated very briefly in order to stress that which especially concerns people stationed in the field.

One of the basic activities is standardization. The Cotton Branch is responsible for making the cotton standards, the cotton linters standards, the naval stores standards and for setting up methods for grading cotton seed.

The cotton standards are prepared under the authority of the Cotton Standards and Cotton Futures Acts. These Acts also provide that the use of these standards is compulsory in the United States in certain types of spot cotton transactions and in the delivery of cotton against cotton future contracts. As a result, the standards for upland cotton are used throughout this country and have been accepted by cotton men over the entire world as universal standards for American upland cotton. Differences in the quality of cotton are recognized in terms of measures called grade, staple, and character. Wherever possible, these quality designations have been standardized by the A.M.A.

Grade is a combination of three factors: (1) the foreign matter remaining in lint after ginning, (2) the color of the cotton, and (3) the preparation or the smoothness of the lint after ginning. Staple is the length of the representative fibers of a sample or bale of cotton. Standards for both grade and staple are prepared here in Washington. The bulk of the standardization work is concerned with upland cotton which represents more than 99 percent of each crop. On the other hand, such standards as are necessary are prepared for both American-Egyptian and Sea-Island cotton. The Grade standards are put up in black boxes containing 12 samples of cotton showing slight variations allowed within each grade. Cotton men call these standards grade boxes. Great care is used in making these standards and in providing ideal working conditions during their preparation. The boxes for each grade are made as identical as possible. The work is done under special lighting arrangements and controlled atmospheric conditions and is checked by highly technical color measurements. The staple standards also are prepared in an exacting manner. These consist of about one-pound of cotton of the described staple length tightly packed in a paper wrapper.

Cotton men call these standards staple types. Both the grade and staple standards are sold to interested parties for a fixed fee upon request. Current copies of the standards are owned by all important firms handling American cotton.

Unlike for many agricultural products, the operation by which the quality of cotton is determined and designated is called classification or classing, and not grading. Classing cotton is not a science because no speedy or accurate mechanical means of performing the job have been perfected to date. Rather, it is an art by which quality differences are recognized by

sight and feel. Expert classing requires natural ability, long experience and considerable judgement on the part of the classer. Classers have to match samples with the official grade boxes and staple types from time to time in order to do highly accurate work.

The Cotton Branch not only issues the standards which guide classers all over the world but it also maintains a sizeable staff of classers which usually class several million bales annually. These classing activities cover several different types of work. One kind is done only for parties trading in futures contracts. According to law, all cotton delivered on futures contracts must be classed by the Government. Then there is another classing service done on a fee basis. Farmers, cotton firms, spinners and others often pay this small fixed charge per bale in order to get an individual bale A.M.A. class on their cotton.

All cotton entering the Commodity Credit Corporation loan is classed by the Branch as is that cotton disposed of through the sales programs of the same agency. The Branch also classes some cotton for the Farm Security Administration and for various other governmental agencies when they want cotton classed.

Probably the most important classing program is a free classing service for producers. This type of classing goes under the popular name of the Smith-Doxey service in recognition of the men introducing into the two branches of Congress the Act authorizing the service. As directed by this Act, free classing is provided to groups of producers who are organized to improve the quality of their cotton. In order to obtain this class, farmers are required to form a community organization and designate a responsible representative to act for the group. Under this service, the Extension Services usually take the lead in going out and organizing these groups of farmers.

Each group so organized agrees to select a variety of cotton of known merit for planting and all plant this one variety exclusively if at all possible. After the cotton is planted, each group sends an application to the A.M.A. for the free classing service. If applications are approved, groups are provided with necessary supplies for shipping samples to the nearest classing office.

As cotton starts moving, the group makes arrangements for someone usually the ginner to draw samples. It is required that the sample represents each side of the bale and efforts have been made to have these samples cut from each side. As each sample is drawn, a tag provided by the A.M.A. is inserted in the middle of the sample. This tag is in the form of a franked postal card. The name and address of the grower is placed on one side and the bale number is written in a space provided on the other side of the card. After arriving at the nearest A. M. A cotton office, the sample is classed and the grade and staple is entered on the accompanying tag which is then mailed back to the farmer.

When the farmer receives the card, he can use the classification as means of selling the cotton. Only a very few farmers are able to class cotton themselves and most farmers have been marketing cotton without knowing its quality. And quality means big money in connection with cotton. Normally, a range of 10 cents per bushel in the price of wheat is a wide spread. The price of cotton today would range from as little as 10 cents per pound for

the lowest qualities to as much as 75 cents per pound for high grade extra long staple cotton, a tremendous spread. Therefore, the object of this classing service is to get quality information back to the farmer so he can be in a better position to bargain with the buyers.

In spite of opposition on the part of many buyers to accepting the Government class, the idea is working out surprisingly well. In a number of instances, merchants will call up and buy the cotton on the basis of the quality shown on the class cards without examining the cotton. In another case a cotton cooperative used to employ a number of classers. Now the association has found that it could handle its cotton just as effectively on the class provided free to the organized members by the A.M.A. This use of the classing service seems to point the way to universal classing. Along this line there is a wonderful opportunity not only to get over to the farmers the need for quality information but interest them in setting up an improved system of marketing. This is the program the whole A.M.A. is working on, the increase of the farmers' income through use of available information and increased efficiency in marketing procedure.

Along this line, in some instances as many as 300,000 or 400,000 bales of cotton may come into one central point. If a considerable proportion of the farmers were receiving the free classing service, a large volume of samples would come into that point and some type of central selling agency or auction market would be highly desirable. Considerable thought could be given by men in the field to favorable locations for such a set up. In areas where production is on a small scale, restricted volume of cotton entering markets does not result in the competitive marketing situation found where large volumes are accumulated.

Another type of classing is in connection with gathering grade and staple statistics used in estimating the quality of the crop and carry-over. The quality of the crop is estimated by securing samples from representative gins giving a cross section of each producing section. Generally about 6 to 10 percent of the gins in each section are selected to provide a sample from each bale of their entire ginnings throughout the season. These samples are sent to A.M.A. classing offices. By classing these samples the quality of the crop is estimated by States and districts within States. The grade and staple estimates are issued periodically each time ginning figures are released. The estimate of the carryover is made in somewhat the same way except that a cross-section of all cotton on hand in warehouses and at mills is classed as of the first day of each August. From this information, the grade and staple of the carry-over is estimated at the beginning of each new cotton season.

Still another phase of classing is in connection with licensed classers. Classers, who from their record of experience show that they are experienced cotton men, are allowed to take a practical examination in classing cotton on the basis of the official standards. When they satisfy the A.M.A. that they know how to classify cotton in this way, they are given a license. As long as they hold their license, they have to class cotton strictly according to the standards. They are supervised closely and their license is taken away if they class cotton otherwise.

The Branch also has the task of keeping its own classing uniform. During the busy season, some 300 classers are employed at offices scattered over the entire Cotton Belt. The high degree of uniformity characteristic of the A.M.A. classing is obtained by the work of a supervision board at Memphis, Tennessee. Each classer sends in a lot of cotton that he has classed each day for the board to check. In that way the classer knows how well he is classing. The classer is not allowed to choose the check lot himself. The officer in charge of the field office selects these check samples at random. This allows a good check on classing which has shown more and more uniformity each year. It is a fact that there has been a definite trend toward closer agreement between classers and the supervising board for the past 6 years. Last season, 82 percent of the check lots were on the head for staple and 99 percent was within 1/32 of an inch in agreement. It must be remembered that 1/32 inch is about as wide as a pencil mark.

In addition to classing cotton, the Branch also grades cotton linters. All linters for the Lend-Lease Program are handled on the A.M.A. class. Also a tremendous amount of work is done for the W.P.B. and other war agencies in regard to the supply of linters needed for military purposes.

The work of the Branch in regard to cotton futures trading has been mentioned. In this connection, cotton futures contracts are based on Middling 15/16 inch cotton. A number of other qualities can be delivered against contracts with allowances being made for the differences in quality. The differences in value for grades above or below Middling and staples longer or shorter than 15/16 inch are based on the quoted differences in 10 designated spot markets. In each of these markets there is a quotations committee of buyers and sellers. These meet each day and determine the price of Middling 15/16 inch cotton and what the differences in value are for qualities above and below that grade and staple. In order to see that these committees do their job properly and are not unduly influenced by outside sources, a supervisor from the Cotton Branch makes a visit to each market about every two weeks.

In regard to market news, the Branch puts out market news on cotton, cottonseed and cotton linters. Market news on cotton and cottonseed is issued by the field offices except for one weekly market news review released here in Washington. This weekly report is consolidated with market news collected at the field offices and is also issued weekly in the field at several offices. Cotton market news reports are the basis of the supervision of the price quotations carried on at the 10 designated markets. Prices are also reported in market news releases for about 10 other markets over the United States. The Cotton Branch for a long time has issued daily and weekly reports by press, radio and through mimeographed releases. About four years ago when the Smith-Doxey classing started, market news was supplied directly to the groups of farmers receiving the service. About 83,000 bales were classed the first year and in the season just finished more than 2-1/2 million bales were classed without charge for farmers. The total membership of the groups eligible for the service has doubled many times. Not only have they been given an impartial class on their cotton but they have been getting market news.

Knowing the general price level of a commodity without knowing its quality is little help in selling. Also, knowing the quality without any information as to price is not much good. The Branch is attempting by several methods to get quality and market news information back to the farmer that will allow him to figure the price he should get at his nearest market. Each day there is any change in the market, each approved group is sent the prices of the various qualities of cotton quoted at the nearest major market along with the closing futures prices for that day. Usually the group will get this information the following day. Arrangements have been made with most of the major radio stations to broadcast futures prices several times each day. By listening to their radios, farmers are able to find out whether or not the market has gone up or down. By using futures prices together with the information on prices at the spot market, farmers can know what change to expect at their own market on any one day. Prices are not checked in this way by farmers as much as they ought to be. Another big job is to educate farmers in regard to the need for quality and price information in increasing bargaining position and to get them to use these services to the best advantage.

The market news work for cottonseed is limited largely to the territory in which cottonseed is handled on grade. Cottonseed grading is done in the Mississippi Valley States for the most part, so the market news work for cottonseed is confined largely to that region. These market news reports list rather complete information on the current market situation for cottonseed in large numbers of counties in these States. The weekly cottonseed reports show the range in grade and the average grade of seed by counties. Also shown are the average prices per ton paid on seed at the gin and the average car-lot oil mill price for seed of the basis grade, 100. For example, the range in grade of seed in one county may run from 90 to 110 with an average of 105. If seed in car-lots at the oil mills is \$50 per ton for the basis grade, the price for the average grade would be \$52.50 per ton. Farmers by knowing the oil mill price of the average quality of seed being ginned can figure out freight and handling charges between the gin and mill and see if the prices being paid at the gin are in line with oil mill prices on the basis of quality.

Market news is also issued on cotton linters. In a sense, linters are not a farm product since they are taken off the seed at the oil mill. There is little need to go into that because linters are an important cotton seed product. The Cotton Branch gets out a weekly market news review showing information on the average prices for the various grades of linters. Figures are also included on the stock of linters on hand and other quantitative information that will be a help to the linters people.

In addition to the described market news on cotton, reports are also sent out on the cloth markets, the consumption and supply of cotton and new programs affecting the farmers such as Government Loans, etc. The Cotton Branch is not at altogether satisfied with the market news program in spite of the progress that has been made. This is one of the biggest fields in which farmers need current and accurate information. The A.M.A. is doing what it can with the money available. The biggest trouble is that there are not enough employees working on this problem to explore all the possibilities.

Brief mention needs to be made of some of the things that are being done in regard to new uses for cotton and the diversion of cotton into products for which it is not commonly used. The cotton bagging program was started in 1939 and nearly one million patterns were used that year. A pattern is the covering for a bale of cotton and that means nearly one billion bales were wrapped with cotton bagging. The manufacture of 4 million patterns has been authorized under the program for this season just starting. Next year, the program may call for about 8 million patterns. The W.F.B. seems anxious for such a huge program. Under this program, small subsidies are granted to the manufacturers so that farmers can buy the cotton bagging at prices comparable to those for other materials.

The cotton insulation programs were started in 1940. About 90,000 pounds were used in that year, approximately 700,000 pounds in 1941 and apparently about 5 to 6 million pounds will be used in 1942. The subsidy necessary in order to experiment in this field has been very high relative to the cost of cotton. For this reason, present attention to this program may not be great. On the other hand, this field of work shows much promise, especially where weight is a factor. Cotton has been used successfully as insulation in homes and apparently is well adapted for use in refrigerators, aircraft, and refrigerator freight cars. Cotton appears to be suitable not only for insulating against heat or cold but also for shutting out sound.

The mattress program has been talked about greatly and has done a wonderful lot of good. The possibility of getting into that program again this year is not known. Certainly there is still lots of need for good mattresses throughout the country.

The one-variety marketing program operated last year and started in about 1938. This has been a demonstration program whereby payments were given to cotton merchants in order to allow them to pass back part of this subsidy to the farmers. The program showed farmers the best methods of ginning, packaging and handling cotton. Cotton communities cooperating in the program planted a single variety of cotton, ginned it at specially selected gins, and packaged it in the proper manner. This cotton was classed in the locality by A.M.A. classers and was bought from the farmers on the basis of individual bale quality. The one-variety cotton was moved to the mills in large lots to show the mills the uniformity of quality that could be obtained by one-variety production. This demonstration also showed the farmer that sound marketing practices really were to his advantage.

This year, a pure-seed program is being developed. One difficulty found in quality improvement and the growth of the one-variety movement is the high cost of good planting seed. Not only that but there are so many seed dealers in each community who are pushing their own brand of cotton. So this year, the cotton planting program is being put on. Again, this is a program where the farmers would organize themselves. The Extension Service in Texas, Georgia and the Carolinas are very much interested in it. Each State will set up a committee. On the basis of experiment station records and other data, the committee in each State will establish several zones not to exceed eight in number which will allow for differences in soils and climate. Recommendations will be issued as to the varieties approved for planting in each zone. To give farmers some lee-way in selecting a variety to plant, several varieties will be named for each zone. Farmers desiring to plant

one of the approved kinds of cotton will organize and receive a subsidy to allow them to get good seed at a price they can afford.

Little time needs to be spent in discussing the Export Subsidy Program. This program is pretty well cleared up at present and will be completed by the first of the year unless some new arrangements are made with Canada. Possibly, there might be some demand from a few other countries. The idea should not die but it is not known whether another such program will be necessary or not.

Another interesting program is the diversion of cotton for the manufacturing of high-grade paper. Such a program is not being carried on this season but during 1940 and 1941, a total of about 3 million pounds of cotton and cotton waste was used in making fine writing paper. Even with financial assistance now having been discontinued, some manufacturers are still using some cotton and cotton products instead of rags.

The nature and purpose of the Lease-Lend Program is well known. There is no need to spend time on that topic.

Cotton seed grading was mentioned in connection with market news. Probably this needs a brief description. Cotton seed has been one of the most difficult commodities for which to determine grade. There have been many methods tried but a number of years ago the Cotton Branch was able to perfect an acceptable commercial procedure. This method is based on a combination of factors. These include the quantity and quality of products obtained during the process of ginning seed, such as the oil and cake, and the quality of the seed itself in respects that influence milling properties. For a number of years the Branch has received an appropriation for putting on this program. It has been handled as a voluntary proposition and as previously mentioned, is operated at the present time only in the Mississippi Valley States. In planning this program, the mills signed an agreement that in return for the grading service, they would buy all of their seed on the basis of grade. This practice is followed particularly in the delta section of Mississippi where cooperation runs about 90 percent. At each cooperating mill, one or more of the employees have obtained a license from the Department as a cotton seed sampler. These licensed samplers are under bond. With special equipment devised for the purpose, a sample from about 50 to 60 pounds of seed is drawn from each car load of seed. The sample of seed is placed in sealed cans and sent to a licensed chemist for analysis. In most instances, the seed is bought from the ginner on the basis of the quality shown by the grading process. Rewarding ginneries in this way has caused them to clean and to handle their seed more carefully, and probably has indirectly improved the harvesting of cotton by farmers. Without question, this program has been of benefit to farmers. But again, there is the problem of getting this benefit directly to the farmer. The difficulty is that it costs around \$2.00 to run one of these analyses. For a car load of seed that means less than 10 cents per ton. But for a wagon load of seed owned by a farmer, that cost is prohibitive not counting the loss in seed needed for sample.

The next field of activity is research. Ordinarily, many people in action programs are not interested in this type of work, but the research done in the Cotton Branch may be of interest. A number of things important from standpoint of the Branch will be passed over briefly. Considerable study

is being given to marketing outlets for cotton and better methods of packaging, handling, and marketing cotton. For example, there appears to be considerable waste in handling cotton under present conditions. A bale of cotton is often loaded into a freight car at the gin and shipped to a nearby compress. At the compress the bale is unloaded, compressed to a smaller size, and reloaded into a car for further shipment. Through research on this problem, a gin press has been developed that will put out bales with the same density now obtained at the compress for domestic shipment. At the present time it is not practical to propose any such revolutionary change in equipment requiring a large-scale use of critical materials. Later, it is hoped that it will be possible to press-out bales at the gin in such a manner that they can be moved to their final destination without having to be needlessly handled, loaded and re-loaded, and compressed enroute.

Another point is the sampling of cotton as it is now done. The usual practice of cutting a number of samples from each bale is a very wasteful feature of marketing because of the resulting weight loss and damage to the bale covering. Also samples drawn from the surface of the bale do not always represent the quality of cotton throughout the entire bale. Several years ago, studies were started about the possibility of removing samples by mechanical means during ginning. A device has been made that will do the job automatically and do it well. By this device one can draw a small sample or a very large one which can be divided into several portions so that the bale will not have to be cut to pieces as it moves to the mill. The present mechanical sampler does not wrap the sample automatically so the problem is now to devise a machine that will draw a true sample of the bale, and wrap and identify the sample entirely by mechanical means.

Several years ago, a practical and economical permanent bale marker was developed by the Cotton Branch. Identifying marks placed on cotton bales at the gin are almost always removed at the compress. For this reason, bales which are plated or false-packed at the gin cannot be traced back to their origin. Also, there has been a practice of cotton merchants selling spinners bales from producing sections other than that named in the sales contracts. A permanent bale tag would stop most of these things. The permanent tag developed through these studies is fireproof and would prove of great value to insurance companies in adjusting losses from cotton fires.

Another important job, particularly at the present time is being done in connection with the quality and the origin of cotton consumed by cotton mills. As is commonly known, the producer and consumer of cotton have had no means of communicating with each other except in a few instances. Often the spinner has been in the dark on where to obtain his supplies of cotton most advantageously. The farmer has been equally in the dark about where his cotton was being used. Since farmers usually deal only with the local buyer, they have had little idea of what quality of cotton they were growing or what quality of cotton they ought to attempt to grow. Apparently, there was need for definite information on what qualities of cotton the mills needed and where they usually went to get such cotton. About three years ago, some work was started along this line and a survey was made of the volume and staple length of cotton consumed by mills. Excellent cooperation was received from mills on this study and personal visits were made by cotton specialists to about 85 percent of all the active cotton spindles in the entire United States. An attempt is being made to make practical use of this information by arousing the interest of State agencies and Extension services

in the results shown by the survey. Through these agencies, it is hoped that the information will get back to the farmer. In that case, he can plant the kinds of cotton most needed by the mills.

There is also ginning research. Cotton spinners are paying more and more attention to the preparation of cotton they buy. Preparation refers to the smoothness with which the lint is ginned. Cotton which is rough, stringy or nappy after being ginned is lowered in grade and value. It is certainly undesirable for a farmer to spend a lot of money for good seed, work hard in making the crop, pick his cotton carefully and then take it to a gin and have poor ginning offset the expected benefits of all this trouble and expense. Actually, the labor of a whole season can be ruined at the gin in a few minutes. Cotton can be badly damaged during the ginning operation. Often the value of the cotton is reduced several dollars per bale and occasionally losses run much higher particularly for long staple cotton. At present staple premiums, a bale of 1-1/4 inches staple would be lowered by about \$55.00 if it was reduced from a Middling to a Low Middling grade during ginning. Gins with inadequate equipment, machinery in a poor state of repair, or good equipment operated improperly give a bad sample. The ginning laboratory of the Department has attempted to investigate all the causes of poor ginning and every time something new is found to help the situation, it is immediately passed on to the farmers and ginneries. Tests have shown that many ginneries used too tight a roll in ginning and that the saw speeds used at many gins were too slow. Gin manufacturers now recommend that saw speeds formerly as low as 450 revolutions per minute be increased to about 750 revolutions per minute. Great care has been taken to point out the need for careful harvesting and handling of seed cotton by farmers. Another thing worked out was the artificial drying of green or damp seed cotton. Seed cotton with excessive moisture content will not gin smoothly. Dryers have been perfected where the seed cotton is introduced into a stream of hot air. This artificial drying process has cut down on rough gin preparation. Now more than 1,000 gins are equipped with mechanical dryers.

There is also spinning research. For a number of years the Cotton Branch has worked with the Bureau of Plant Industry in connection with the spinning properties of various varieties of cotton. Studies have been made of 15 varieties. This has included fiber tests and spinning tests to see what the utility of the various grades and staples were according to variety. A world of information has been turned out on this subject and it has been determined to a large extent what varieties of cotton have the best spinning value. Of course, one trouble is that varieties change so fast it is hardly possible to keep up with them. Another problem is to cut down on the named varieties and stop this aimless practice of arousing interest in an old variety by giving it a new name. There is need for regulations that would make it necessary for a seed breeder to have cotton pass rigid tests before it is actually passed on as a new variety.

Some research is done in connection with standardization. In Washington, a laboratory is maintained to insure the highest possible degree of accuracy in making the standards. When cotton is needed for a standard, a bale is brought that duplicates that standard as exactly as possible. Before cotton is used for standards, it is subjected to very rigid tests in the laboratory as to the length, uniformity, strength and fineness of fibers in order to see that it matches the intended standard.

Some work has been done on artificial daylighting suitable for cotton classing requirements. Until very recently, cotton has been classed under natural daylight conditions, the Government having developed a special type of north skylight for this purpose, which is widely used. Now, artificial daylighting units have been developed which give satisfactory classing results. These units give from 60 to 80 foot candles at the working level. This is more than "good light" for winter but less than "good light" for summer time. These units are working out very well. Some private concerns are using them and can now class cotton satisfactorily on dark days or even at night.

From this spinning and standardization research, a system has been worked out whereby the characteristics of cotton fibers giving good spinning results can be recognized in a practical manner. Fortunately, the technique of testing cotton fibers for spinning properties and utility has been developed to the point where such work can be done with sufficient speed to be put on a commercial basis. Congress has passed a law providing a fiber testing service for cotton breeders and others. The reason back of that law is what has happened in the past during cotton breeding work. A cotton breeder would pick out a plant that looked good to him. The seed from that plant would be saved and planted next year and again and again until enough seed was on hand to put on the market for sale. Often farmers had bought the seed and produced the cotton, some lint of this kind of cotton would finally reach the mill and be spun and made into cloth. Often it turned out that the cotton had poor spinning properties. Breeders themselves recognized the wasteful and haphazard results encountered in this practice. Now this new testing service has been provided for the seed-breeders. A number of different types of tests are made available including arrays of the fibers, measurements of the strength and fineness of the fibers and complete spinning tests for corded yarns. Some of these tests are highly technical involving microscopic examination of cross sections of fibers and the use of X-ray equipment. Several hundred samples were tested last year. Varying fees are charged according to the extent of testing services desired. A complete fiber and spinning test is provided for \$36.00. The work gives great promise because it provides a method whereby breeders can definitely measure the characteristics of a new cotton before it is offered to the public.

Then there is the Administration of the Naval Stores Act. That law has several purposes. One is to exercise control over interstate commerce in spirits of turpentine and rosin in order to prevent the sale of adulterated or mis-branded naval stores. Another is in connection with standardization for such products. Standards for naval stores are in effect. There is a tremendous amount of work in connection with naval stores being done for the Lend-Lease program.

One of the chief difficulties is getting the results of this work right back to the farmer who needs it. One thing the farmer requires is a better system of marketing. There is considerable waste and inefficiency in the handling of cotton particularly in the types of markets where farmers sell.

Another big problem is in connection with balancing the quality of production with the quality requirements and preferences of spinners. In this connection, there is not only the difficulty of getting farmers to plant the proper varieties but there is the effect of climatic conditions on the quality of cotton produced. Certain sections of the Cotton Belt are not well adapted

to growing some of the qualities of cotton most in demand. Formerly, the cotton made in these sections went into the export trade which now is about gone, at least temporarily. This lack of balance has resulted in a sizeable surplus of the shorter staples and lower grades of cotton. Mention has been made of the huge carryover of about 10,425,000 bales. Some of this cotton is low in grade and short in staple and is not in much demand by mills at the present time. Efforts are now being made to get the farmers to plant the longer staples and to try and harvest and handle the seed cotton in such a way that they will make available a bigger proportion of the higher grades. For war purposes, many of the cotton goods in the greatest demand have to be made from the higher grades and longer staples in order to measure up to suitable strength requirements. This large scale use of high quality cotton in the war effort probably is going to add to the surplus of the lower qualities. Under present conditions, mills are demanding better and better qualities of cotton. If this trend should continue over a period of time, it might reach the point where some of the extremely low grades might even come under the heading of by-products. One of the big problems on hand is to find practical outlets for the very lowest grades. When cotton is extremely low in grade, it makes little difference whether or not the staple is long or short. Cotton of these grades, with a staple of 1-1/4 inches, often is no more desired for spinning than 1 inch cotton. The problem is to cut down on the production of short staples or find an outlet for this cotton. Also low grades are being used at a slower rate than they now normally appear in each crop. Ways must be found of improving grade or the consumption of such cotton must be stimulated in some way. Attempts are being made to meet this difficulty by carrying on the study of grades and staples of cotton required by mills.

V
TOBACCO BRANCH

Charles E. Gage, Chief

To begin with, I want to say for the benefit of the organization sharps of AMA and for H. C. Albin and Charlie Kunkel that I think it can be demonstrated that the functions of purchase and distribution can be combined: I have purchased some cigars and I will distribute them!

I don't know whether I can tell you very much about the work of the Tobacco Branch without going into something about tobacco itself. I don't know whether any of you have had any contact with tobacco. Probably there is less general information among the people about tobacco than most any other commodity. Tobacco is something more than just tobacco--there are 26 types grown in this country, including Puerto Rico. These types are grouped into different grades, mainly on the basis of the curing methods employed. Each class of tobacco has very distinct characteristics and uses. Manufacturers can't take just any type of tobacco and put it into cigars or cigarettes, but must purchase tobaccos of the class, type, and grade that meet specific manufacturing requirements. I don't want to do any more than touch on that here because we have a circular in the mill that covers the ground better than I can do orally. The point is that the separation of tobacco into type areas has had an important bearing upon the organization of our field activities.

The Tobacco Branch is divided into four divisions--a Standardization Division, such as all of the commodity branches have for developing and promulgating standard classes of commodities; the Inspection Division, which is concerned with the inspection of the crop while it is still in the possession of the farmers themselves; the Marketing Programs Division, which has several functions including market news service, the preparation and initiation of special programs such as diversion, marketing studies, etc., and reports on the stocks of unmanufactured tobacco in the hands of the dealers or manufacturers. Then we have another division called the Demonstration and Training Division. This unit has to do with the training of inspectors and the demonstration of tobacco grades and methods of preparing tobacco for market.

Those of you who have not attended a tobacco auction have at least heard the chant of the auctioneer on the radio--the real thing is not always as musical as the one on the radio, but the general idea is the same. Ninety per cent of the tobacco grown in the United States is sold at auction in the manner indicated by the radio programs. The vast bulk of the auction-market territory lies in Colonel Palmer's region. It includes all the various types of tobacco grown in Maryland, the southern part of Ohio and Indiana, and the States south of the Ohio and Potomac Rivers. In addition to the types of tobacco sold at auction, there are numerous types of cigar tobacco, produced mainly in Pennsylvania, Ohio, Wisconsin, Connecticut, and Massachusetts.

Our greatest activity is in the inspection of tobacco. That activity grows out of conditions that surround the auction market. An auction warehouse is a large floor space, under skylights, with tobacco placed in trays or baskets about four feet square. The baskets are lined up in rows, with about 18 inches between the rows, so that the auctioneer and the warehouse employees concerned in conducting the sale can go down on one side of the row, with the buyers on the other side. They sell the tobacco at an average speed of about 360 lots an hour. I have seen tobacco sold anywhere from 500 to 700 lots an hour. That means that the auctioneer must cry the bid and the buyers must appraise the grade and quality of the tobacco and its value to their

company in a matter of a very few seconds to each sale. Under these conditions, where a few buyers have access to the tobacco but many do not have, and under such rapidity of sales, many errors of judgment are made on the part of the buyers. The result is that very often a sale of tobacco is made for materially above its real current market value, while many more are sold below. The buyer is not particularly concerned about the mistakes he makes: buying tobacco all day long, the law of averages protects him. If he gets one man's tobacco too high, he can take it off on another one. The man who is hurt is the farmer whose tobacco is knocked down way below its real value by reason of these wide fluctuations in price that have no basis in quality. The farmer brings his tobacco in and may have only a little of it--only a few baskets. If he happens to be one of those whose tobacco is sold way below its value, it is a very serious thing to him. So that is the central problem in our inspection and market news programs--to throw some measure of protection around the grower on the auction market.

There are many grades of tobacco in any one type. If it is one of what we call the cigarette types, such as flue-cured, many grades will be suitable for cigarette manufacture, some grades will be suitable also for the export trade, and some grades will be suitable for smoking and chewing. The buyer tries to buy tobacco of grades which he thinks are best for his particular purposes. Each manufacturer has his own private grade marks, all of them meaningless to the farmer. No two manufacturers use the same system of grades. So the U. S. grades provide a common denominator. We have as many as 80 to 100 grades for a given type. The application of those grades requires an exceptionally keen knowledge of the many varying elements of quality, and this makes our training program highly important.

Now, our graders go on the floor before the sales begin and keep well ahead of the buyers. On each basket is a ticket. On the ticket is a serial number, the name of the grower, and the number of pounds, etc. Also, spaces are provided for our certificate of grade, the name of the buyer, the price, and the buyer's grade mark. Our inspectors put the grade on each basket of tobacco. In order to keep ahead of the buyers, we have to have at least two inspectors for each set of buyers. During the sale, we have price collectors who make a record of the grade and selling price on a large number of sales on selected key markets. By means of this information, we put out our daily price reports.

Now, how does the system work? Here's a farmer whose basket of tobacco has been graded B3F. He looks in the market report and finds that Grade B3F has been averaging 27¢, whereas he received only 17¢ a pound. That is the notice to him that he did not get the market value for his grade of tobacco. Under the rules of the market, he is entitled to reject the sale of that tobacco, take it out, dress it up, put it out for a new sale, or take it to another warehouse for sale. It is still his tobacco to do with as he sees fit.

We estimate that the money in dollars and cents that tobacco growers lose every year because of mischances of the sale such as I have described runs up into the millions. We are trying to solve that problem by this particular service. It is a service that was authorized by an Act of Congress, approved in 1935--the Tobacco Inspection Act. This act provides for two types of service. Section 5, the most important, provides for free and mandatory inspection of tobacco on the auction markets. In order for a market to be

eligible to receive inspection service, the growers must have voted by a two-thirds' majority in favor of the service. All markets have now been designated for this service except one at Richmond, Virginia, and four in Southern Maryland. We are not putting the service on all markets that have voted for it because we cannot get a sufficient number of inspectors. Last year we inspected approximately 600 million pounds of tobacco. This year I think it will run to possibly 750 million pounds.

VOICE: What percentage was that?

MR. GAGE: It was in the neighborhood of about 50% of all the tobacco sold at auction. This year it will run above that. We are inspecting all of the fire-cured, all of the Burley, nearly all of the dark air-cured, and nearly half of the flue-cured tobacco.

One of the problems that gave us some concern when the subject of regionalization first came up was the transfer of inspectors from one region to another. Now that practically all the auction-market territory is in one district, the problem has largely disappeared. However, it touches on a phase of our work in which you may be interested. Some of our tobacco inspectors who know a lot about fire-cured tobacco know nothing at all about flue-cured tobacco, for the types are so very different in their characteristics. We have trained quite a number of our Burley inspectors to grade flue-cured and vice versa.

Some of our fire-cured men can grade flue-cured now. Questions about the transfer of inspectors come to the front in connection with the calendar of market opening dates in the several districts. The marketing season opens first in Georgia and Florida--this year it was the 28th of July. There the marketing season lasts for about three weeks. A week after the Georgia markets opened, those in South Carolina began sales. Day before yesterday (August 25) they opened in the eastern North Carolina district. The buyers and inspectors from the Georgia-Florida district have jumped into the latter district. In late November some of the buyers and graders from this district--those who know the two types--will jump over to the Burley district. And so it goes. It's a kind of a leapfrog system whereby groups of inspectors jump from one district to another, a few of them to another region.

I was rather apprehensive when this question of regionalization was brought up that the regional lines would divide our inspection territory and complicate this game of leapfrog. My apprehension grew out of the fear that it would demoralize our efforts to shift men quickly from district to district by having to route actions through two or three regional offices.

Our field organization for the inspection work consists of a supervisor for all flue-cured districts, located at Raleigh, North Carolina; a supervisor for the fire-cured district of Virginia; one for the Burley district; and one for the Black Patch section of Western Kentucky and Northwest Tennessee. The Black Patch combines three fire-cured and two dark air-cured types. All but one of those supervisors have several assistant supervisors. For the most part, our inspectors hold permanent appointments but are seasonally employed. They have passed Civil Service examinations and have passed our training courses--they are permanent employees, but are employed on a seasonal basis. When the marketing season is over, they farm or seek other employment.

Our market news program has to coincide with the inspection program. We have a permanent market news office at Raleigh, which serves all the flue-cured markets and the Virginia fire-cured district. During the season, that office establishes temporary field offices in Georgia, South Carolina, North Carolina and Virginia. We have a permanent market news office at Louisville, Kentucky. During the Burley marketing season, we have temporary field offices at five points. It is the function of the market news office to see that adequate samples of the prices paid on the auction floor are collected by price collectors, who follow the sale and jot down on slips the grade and selling price. We are not concerned with the number of pounds. These data are collected in sufficient volume to provide a cross-section covering all the grades appearing in the market. The work is conducted in the forenoon, after which the price collectors tabulate their data and telephone the information to a central office, where it is mimeographed. The mimeographed reports are then sent out to all markets, by bus, mail, or by our own automobiles, so that on the next morning's market a supply of reports is available for farmers who have tobacco to sell. The farmer has information in the morning covering the prices paid on the previous day's sales. This system will probably be modified somewhat in view of the labor shortage, so that we may soon be issuing reports but once or twice a week. When the market shakes down and prices are steady, it is not so important to get out daily reports.

We don't do very much work in cigar types. The Agricultural Marketing Act of 1938 requires that loans be made available to growers of various products. If growers are not satisfied with prices offered by the usual buyers, the law provides that Commodity Credit shall make loans available to them. It is a small operation with us and may or may not have permanency.

VOICE: After this stuff gets on the auction floor, does a farmer have the right to reject the price?

MR. GAGE: Yes, he does. He can sell it over or take it to another market.

One of the important functions of the Tobacco Branch--one that we started in 1929--is the getting out of quarterly reports on stocks of unmanufactured tobacco. The law requires that the manufacturers submit quarterly an inventory of their holdings of leaf tobacco on the basis of type, stemmed or unstemmed, and a breakdown into about four or five groups of grades. These reports are valuable in many ways, such as in economic studies of the tobacco supply situation. We combine them with the production to get a measure of total supply, and by deducting the year-later stocks still on hand, we can get a measure of disappearance. Such computations give a basis for various lines of economic analysis that we find extremely useful. Various agencies of the government utilize these statistics.

The demonstration program is one of the really popular things that we are doing. The Extension Service and the Vocational Teachers are cooperating with us and they are reporting great interest in it. What we do is to send qualified men out to work with the County agents and agricultural teachers and hold meetings with tobacco growers at the curing barns, explaining the difference between grades of tobacco so that they will keep their grades better separated in its preparation for market. Tobacco that comes on the floor well sorted has a uniformity that makes it attractive to the buyer. This is quite important

in the sale of tobacco. On the other hand, if the farmer has his good grades and his low grades all mixed up, he is penalized in price. He may have tobacco worth 30 or 40¢ mixed in with some worth not more than 20¢ per pound. The price he gets is apt to be set by the low grade tobacco. Thus he will be getting around 20¢ per pound for grades which would have brought him a nice profit if he had kept them separated. This is a campaign by which we reach 50,000 or 60,000 growers a year. It is also very popular with warehousemen and manufacturers--they welcome this assistance. If a manufacturer buys tobacco that is so badly sorted that the uniformity which he requires is not there and he must sort it himself, naturally he is going to knock the price down accordingly. We have done quite a lot of work in that. One added advantage, from our standpoint, is that it enables us to give our men a somewhat longer period of employment.

We haven't done a great deal of economic analysis work in the way of tobacco statistics. However, we have recently augmented our force by the employment of economists who will devote their time to economic studies in line with AMA objectives.

Another activity with which we have become concerned is the diversion program, which originally began in the AAA, as I believe Mr. Albin pointed out a while ago. Our connection with it relates to the diversion of tobacco into the manufacture of nicotinic sulphate. That has been the object of the tobacco program from the beginning--not so much for the nicotine, but finding an outlet for the distressed types of tobacco. Take this fire-cured tobacco region--Kentucky, Tennessee, and Virginia--many years ago that was about the most important tobacco grown. But with the growth of the cigarette business and the decline of the export markets for dark tobacco, that tobacco has become a problem-child. Back around the last war and shortly thereafter, they raised as much as 60 million pounds of fire-cured tobacco in Virginia and 250 million pounds in Kentucky and Tennessee. Of all of those fire-cured types of tobacco put together, the total production now is not much more than 70 million pounds. It can't be used in cigarettes, but it was used in smoking and chewing tobacco to a limited extent. Its main outlets in the past were snuff, Italian type cigars, and the export market. Great Britain does not use it in appreciable quantities, and the European export market has been cut off. Even before this war broke out, those markets had deteriorated for fire-cured tobacco. Thus a great surplus problem arose, because we couldn't get production to diminish as rapidly as the market for it diminished. That tobacco is the highest in nicotine content of any of the types that we grow on a commercial scale. As long as it could be made available to the nicotine manufacturers at 2 or 3¢ per pound, they could make nicotinic sulphate out of it, but the market for that was limited until this new situation came up. The farmer cannot produce it for such a low price, so all the nicotine people could get was the lowest grade. As a surplus disposal proposition the Government had to take a loss on higher grades and sell them to the nicotine crowd. Now a new element has come into the situation. I am referring now to the greatly increased need for nicotine sulphate as a substitute for insecticides such as rotenone that have been cut off by the war. During this fiscal year, we expect to spend 1-3/4 million dollars in the purchase of low grades of tobacco in order that nicotine sulphate can be made available for insecticides and fungicides as a phase of meeting our production goals. For this purpose we still have to take a loss in order that the American farmers may have an insecticide at a reasonable price.

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GRAIN, FEED AND SEED BRANCH

E. O. Pollock

I am very sorry Mr. Murphy isn't here to discuss the organization, functions, and assignments of the Grain, Feed and Seed Branch, but I will try to go over the work for you. Our branch covers a rather wide field of activities, but I have it condensed here in writing, and I believe I can give it to you in the 30 minutes that has been allotted to me. For the benefit of the regional directors and for others, we have gotten up, as of August 10, a rather condensed statement of the work of the Grain, Feed and Seed Branch which will be very useful to you, and when you get into the field you will find the men of the branch willing to explain these services to you and be as helpful as possible in aiding you in gaining an understanding of the work involved.

First, I would like to give you the functions of the Office of the Chief, and then I will give you the functions of the different divisions of the Branch. Administration of the United States Grain Standards Act and the Federal Seed Act; seed-dockage inspection and seed-verification; inspection and supervision of inspection of rice, dry beans, dry peas, and hay. The Branch conducts standardization research on grains subject to the Grain Standards Act, and on rice, dry beans, dry peas, and hay. We also conduct research on methods of testing seed. We also have services for testing seeds and miscellaneous commodities that are derived from grain and hay. The collection and dissemination of market news information. Now, that is done under the general policy direction of the Marketing Reports Division. We plan programs designed to encourage the exportation and domestic consumption of feed and food grains, including dry beans and dry peas, by developing new and expanded markets and uses, and advise on the purchase of these commodities and their derivatives. To cooperate with producers, consumers, and processors in the development of marketing agreements and improved marketing practices; to compile information on the production and processing of grain, feed, and seed; to conduct research on the marketing of grain and its products, feed, seed, dry beans, and dry peas; and, of course, to carry on the administrative functions of the Branch, which of course are numerous and pretty well known to all of you.

Now, our Branch is broken down into a Commodity Inspection Branch, which of course handles the inspection and the supervision of inspection of the many commodities that have been consigned to us. Then we have a Standardization Research and Testing Division. As you well know, in an organization of this kind, we have a very large amount of standardized research to do because of the large number of standards that are involved in the work of the Branch. Then we have a Seed Division, which covers the administration of the Federal Seed Act, handling of seed-dockage and seed-verification work. Then, we have the most recent addition, of course, under the reorganization, which is the Marketing Programs Division, which includes these newer lines of work that to a large extent resulted from the war effort, but we presume will be carried on indefinitely. Now, I might give you more in detail the work of the divisions, and I will try to explain some of these things as I go along. Also, I will try to remember, Mr. Gold, to tell them where the major portion of the work for each commodity is

handled. You will find that out as soon as you get to your headquarters, but there may be some questions you would like to ask on it.

Under the Commodity Inspection Division we have the supervision of inspection of grain under the United States Grain Standards Act. Now, as you know, men with the proper background and training are licensed to inspect grain after they have passed an examination, and those men are employed by boards of trade and state inspection agencies, and so on, and are supervised by district grain supervisors of the branch.

t In the grain work, I think most of you know where the majority of the production is and where there will be the greatest amount of activities. In the Des Moines office, they have quite a lot, in the Chicago office, of course, they will have a big volume of work in that line, depending on just how we function. You know the spring wheat area is largely in Minnesota, and the Dakotas, and Montana, it is also a dairy wheat area, quite a little barley and rye. Then we have the southwestern winter wheat area, which is a very important one, it includes Kansas, Oklahoma, Nebraska, Texas. And our white wheat area, or soft wheat area on the Pacific Coast, we can pretty well say it extends from one end of the Pacific Coast area to the other. Then, of course, you know the winter wheat belt extends over into Illinois, Ohio, Indiana, and throughout that territory. All of the regional directors will be involved in the marketing of grain, of course. It extends to all ports, and although you might not be in the producing area, you will be very much concerned with the work. While there is not much export work going on at this time, it is natural to assume that after the war there will be quite a movement of wheat. I have heard it discussed here that there might be a program for wheat exportation to countries of Europe, and I will say I do know that we are likely to have a wheat export program yet this year, it is still being discussed. It would be under a subsidy, of course. And we are assuming that that work will be revived in another two or three months, depending on what kind of demand we get from Mexico and some of the other countries that are in position to take small quantities of wheat.

n Then we have the inspection of hay. We make about maybe 10,000 hay inspections a year. It is not a large service, but we think it is a fairly important one, it has contributed quite a little to the improvement of the quality of hay for home use as well as market. The Army is the largest buyer of hay at this time. They have increased their horse and mule population quite a bit. I would estimate they have somewhere between 60,000 to 75,000 head at the present time. And of course officers of the Farmers Veterinary Corps are licensed to inspect hay received at Army posts only, and those men are trained and supervised by the Grain, Feed and Seed Branch. There is one point you might be interested in, we have been conducting a course of training for officers since the beginning of the war, or a few months before the war started, we have held a three-weeks school each month for training veterinary officers. That work is done under the Annual Appropriation Act and funds are available as long as Congress makes them available. That service is not of course a regulatory and compulsory thing like the Grain Standards Act, which requires inspection of grain moving in interstate commerce. Inspection of hay and other commodities is simply optional, and we may inspect at the request of financially interested parties. Of course, the hay inspection work is pretty widely scattered. The majority of it, however, will

keep up the work as much as possible. Those chemists are checked by our Beltsville laboratory to make certain they are applying the specifications accurately. And you might be interested in knowing that we have had to discontinue the use of four or five commercial chemists because they couldn't make tests accurate enough to enable us to use them in connection with this buying and selling program.

Now, the work of the Seed Division I think is pretty well understood. It is largely administration of the Federal Seed Act. The Federal Seed Act simply requires the correct labeling of seed moving in interstate commerce. We have agreements with most of the States, whereby State seed inspectors draw samples of seed that will move in interstate commerce, and they report to us any cases of violations, and we simply make an investigation to determine whether there is any cause for legal action under the Act. The testing under the Federal Seed Act is handled in what we call Federal-State Laboratories. We have a large laboratory in Sacramento, California, one in Columbia, Missouri, one at West Lafayette, Indiana, and a lot of the Eastern work is handled at our Beltsville laboratories. Then we have cooperative arrangements with the State of Oregon and South Dakota. We have another laboratory at Montgomery, Alabama. So we are pretty well served there as far as seed laboratories are concerned. Then we have another service which is considered very important by members of the seed trade, that is seed certification, which is the certification of alfalfa and seed clover as to origin. It is an important thing to know where seed was grown, as it has a lot to do with the hardiness. We have found, for instance, that seed grown in Arizona and planted in Montana doesn't do well, in fact, tests have shown that maybe the second year it will practically die out. So that service is conducted under cooperative arrangement with the seed trade, and of course is handled by our men in the branch who have had training and experience in seed work and in the matter of seed records, and so on. Then we have another very small service which is seed-dockage testing. It grew out of the arguments between country shippers and dealers as to how much seed should be docked and they couldn't trust each other, so they asked us to be the referee and we have been making those dockage tests for them as the basis of settlement, particularly on seeds like sweet clover and timothy, where dockage varies considerably.

Then we have the ~~Marketing~~ Programs Division. Now, that Marketing Programs Division is set up to plan and execute programs designed to encourage increased consumption and exportation of products included in the Branch. The flour and wheat exportation programs, both under subsidy, would come under that. And then you have the domestic consumption of food and feed grains. We are still waiting for some of the reorganization work to be completed before we undertake the expansion that is necessary to do the job as it should be done. We feel in these newer lines of work our commodity men should really be experts on the commodity and should have a firm grasp of the program for each of those commodities so as to be able to make recommendations under Lend Lease, as well as handle these expansions in the domestic production and marketing fields. We spent quite a little time in planning, too, investigations of outlets for diversion of surplus crops and their derivatives from normal channels, planning purchase programs and advising on the purchase of grain, grain products, seeds, hay, rice, dry beans, and dry peas for Lend Lease, price support and other purposes;

come in the Atlanta region, Dallas, and some in the San Francisco region, and some in Des Moines. There won't be very much in the New York region, but we do have an agreement with the State of New York.

The service on dried beans also is a limited one, about 10,000 inspections were made during the past year. But of course the standards for beans, as well as the standards for hay and many other commodities, have been very useful in connection with buying for Lend Lease and other purposes. As you know, the bean area is, we might say, New York, Michigan, and the inter-mountain district. There would be quite a little activity around Denver; then around the Pacific Coast there is quite a bean-producing area there. Then we have dried peas, that is largely in the Washington and Idaho territory. It is a very small thing, I think perhaps there are about three or four thousand inspections made annually, but it has served a useful purpose to those growers in there, and has furnished a basis for trading. We feel those standards all the way through furnish a definite measurement of quality, furnish producers, dealers, and consumers a yardstick for measuring quality which they can use as a basis for contracts in buying and selling.

Then we have a service on rice, which is completely decentralized. We handle that in New Orleans and at San Francisco. Of course, you know the producing areas are Louisiana, Texas, Arkansas, and California.

Now, in the matter of supervision, of course that is just the making sure as nearly as possible that the standards are correctly applied. We have, of course, our licensed inspectors who make the original inspection, then we have our supervisors who handle the reviews, and in the case of grain they go to a Board of Review, which we consider the court of highest resort. I think it would be well for the regional administrators to get familiar with that system, just how it functions in assuring handlers of commodities that they will have a fair appraisal of their commodity from the standpoint of grade.

Then we have the Standardization Research and Testing Division. As I mentioned before, the work of that division is to conduct standardization research, subject to the Grain Standards Act, on rice, dry beans, dry peas, and hay. Now, that is a big order, in that our marketing practice has changed and we have changed in the production and harvesting methods. We are constantly making studies to determine and devise standards that fit with present day marketing practices. Another function of this division which I have listed here is the testing of miscellaneous commodities derived from grain and purchased by the Department of Agriculture and other government agencies on the basis of Federal and other specifications. That largely has reference to inspection made in connection with the Lend Lease purchase program. We have made about 12,000 tests during the past year on about a million and a half pounds of various commodities such as oatmeal and cracked wheat flour. I think the Grain, Feed and Seed Branch probably tests more miscellaneous commodities than any other branch in numbers. We are charged with the responsibility of determining whether they meet contract specifications. Some of the work is very technical and we have to use expert chemists in the Food and Drug Administration. We have a large laboratory at Beltsville which is handling practically all of the testing in the Eastern half of the United States. We are using commercial chemists in the Western area to

compiling information on the production and processing of grain, feed, seed, dry beans, dry peas, and rice, collecting and disseminating market news information on grain, feed, hay, seed, dry beans, dry peas, rice.

Now, I think all of you are familiar with our market news work, in that it is merely the collection of data on supply and demand, and price information for agricultural interests. About two years ago we decentralized that work and that is all done in the field at the present time and in what we call the regions now. But we felt like in order to be of the greatest aid to farmers, that we should put that work out in the field and hold the regional representatives responsible for making reports that would be of the greatest use to farmers and others in those regions.

Now, we have tried to furnish those regional people information that is national and international in character that is available in Washington. But the majority of those market reports in the regions are designed to be of special service to the regional people. I believe that is all.

DR. GOLD: I think if you would do one other thing, mention the names of your principal people so they will begin to know them.

Mr. F. C. Heiss is the administrative officer for the Branch. The Commodity Inspection Division at the present time is headed up by Mr. J. E. Barr, who is the acting chief. And then the Standardization Research and Testing Division by Mr. R. A. Black. That is Beltsville, however we more or less treat these as Washington people because they are definitely part of our administrative setup. Our Seed Division is headed up by Mr. W. A. Davidson, who has been in the Department for many years in connection with seed work. Our Marketing Programs Division is headed by T. B. King. Mr. King, as some of you know, was formerly in business in Nebraska, he has had a lot of good practice and experience with the marketing of commodities, particularly grain and flour.

DISTRIBUTION BRANCH

Charles Kunkel, Chief

DR. GOLD: Distribution will be your number one responsibility. Of all the programs we have, this is the one in which some very major decisions have to be made in a very short time. I would like to make one or two pertinent observations of the over-all activity of the Branch, and then talk about those phases of our operations in which most of the field problems are likely to arise. The program operations of the Distribution Branch are very extensive. We have programs in every state of the United States. There are over 3,000 counties in the United States and there are not more than 15 or 20 counties of those 3,000 that have not one or more of our programs. Because of that - the extensive activities of the Distribution Branch - the Regional Directors, when they assume their new duties, will have a lot of unfinished business thrown into their laps. Because of the extent of our activities, you are going to have a lot of questions asked you. It is for this reason that we have placed a number of selected documents and statements in a folder for distribution to you. We feel this will be most helpful to you when you reach your field posts.

The Distribution Branch has four distribution programs: two family distribution programs - the Stamp Program and the Direct Distribution Program - and the School Lunch Program and the School Milk Program. The red spaces on the map show the stamp plan areas. The white are direct distribution areas. Fifty-eight per cent of the population is now reached by the Stamp Plan, two-thirds of which is in urban areas. Direct distribution reaches 42 per cent of the population, two-thirds of which is in rural or small urban areas. It illustrates some of the distribution problems - operation problems - better than we can explain in words.

The Stamp Program is a Program you are familiar with. It is a program designed to increase consumption of commodities. Orange stamps are used to freeze the normal food purchases of the stamp recipient. In most areas they are issued in the proportion of one blue stamp to two orange stamps. These stamps are exchanged at the retail stores for food. The orange stamps are used for any type of food used for human consumption. The blue stamps, however, must be used for the purchase of food that has been designated by the Secretary as agriculture surplus -- or more recently, any food on the Blue Stamp List. The retailer places these stamps on a card and turns the cards over to a wholesaler, a bank, or to our audit offices for redemption.

The Direct Distribution Program, instead of operating through normal channels of trade, operates through our Purchase-Distribution machinery. The Purchase Branch carries out a purchase program which is formulated in the Commodity Branch. Purchases are made in the field by agents of the Purchase Branch and commodities are shipped to state welfare agencies. Distribution of commodities is made by state welfare agencies from county warehouses through the family distribution program and the School Lunch Program which is in operation in all of the areas.

In every state and almost every county, there is a school lunch program. The Direct Distribution, School Lunch, and Stamp Programs are all administered through agreements which we have with states and local welfare agencies; the operations of the school lunch programs are carried out by local sponsors. We have two agreements - two master agreements. We have a Commodity Operating Agreement which covers AMA requirements with respect to the administration of the commodity distribution programs. The other agreement is the Stamp Plan Agreement and covers the provisions of issuing stamps, stamp purchase requirements, and requires welfare agencies not to substitute blue stamps for welfare grants, etc. There are a number of supplementary agreements between state and local welfare agencies. In some areas there are agreements directly between the AMA and county welfare agencies.

The school lunch program is available to non-profit schools and child welfare centers. Just recently the policy committee has liberalized the eligibility for the School Lunch Program. At one time it was limited to needy and undernourished children who came from low income families. Now any child who is unable to buy his lunch can participate in the Program. The School Lunch Program at the present time is operating in about 93,000 schools. In these schools we had a peak participation for the last fiscal year during March of over 6,000,000 children. Our present average is 4,000,000 a month.

The School Milk Program is comparatively new in its present method of operation. Briefly, the new School Milk Program operates as follows. The AMA agrees to indemnify a sponsor up to an amount equivalent to the cost of the producers' price of unprocessed milk delivered to a city plant. The sponsor in turn negotiates with the processor for processing and distributing the milk. The sponsor collects from the children an amount not to exceed 1¢ for a half pint. However, 1¢ per half pint may not be enough to cover the processing and distribution cost of the milk, so there will be a small amount which the sponsor will have to obtain from other sources. This Program is the pride of the AMA not because of what we have accomplished, but because of what we want to accomplish. It is the policy of the Administrator that as only a small amount of money is now available for the program - about four or four and one-half million, we will limit the expansion of the School Milk Program to small areas not in excess of 10,000 population. A great number of these areas will be farm areas. Some of our information men have done some very good work in planning a promotional campaign for the program. We have just received a report from Mr. Maben that in Illinois they have about thirty areas now lined up with sponsors. The last report received indicated that we had something like 79 programs reaching approximately 500,000 children.

I would like to go into some of the specific phases of operations in which field problems will likely arise. Our organization in Washington has five divisions. The Program Operations Division is headed by Mr. Buffalo at the present time, though he is in the process of leaving for a regional position. He feels that the following points are those phases of our Program Operations in which your field problems are likely to arise. The first is the certification problem. We might divide it into two classes - the certification of families for eligibility to participate in the Stamp Plan and the certification of families for eligi-

bility to participate in the Direct Distribution Program - both classes depending on the case being eligible to receive public assistance. As usually referred to, certification means the determination of eligibility of assistance households for participation in Food Stamp Program or Direct Distribution Program. This function is usually carried on by a public welfare agency. Certification by a welfare agency is a prerequisite for certification in the Stamp and Direct Distribution Programs. There is some disparity between certification by a welfare agency for welfare programs and our ideas of what constitutes certification for our own programs. Most problems revolve around the question of household size, adjusted household income, and the maintenance of adequate budgets.

At a recent meeting of the American Public Welfare Association, they set up a Committee of state welfare directors to work with us in developing a national policy of certification. They raised this question - "Is the AMA Stamp Program a relief program or is it a farm program?" One member said, "I can understand why you would be interested in how certification is done if yours is a relief program, but if your program is one of distribution of surplus food, I can't see where certification is any of your business." We expect to hold a meeting with this committee in the next three weeks or a month. I think we will be able to work out some of these problems. National uniform policy is out of the question. There are great differences in welfare practices - the way they compute their budget, etc. - and it is apparent that as long as there are these wide variations we will not be able to establish a national uniform policy.

The School Lunch Program will be nearly as popular as the School Milk Program when we put more money into it. We have spent much time in expanding the School Lunch Program, but very little time in running it. There is a considerable amount of labor involved in the distribution of commodities and in the handling of them and transporting them to the schools. The labor for the School Lunch Program has been supplied by the state welfare agencies and by the WPA. However, there has been a cut of about 50% in the WPA appropriation and they estimate that they can employ only about 400,000 persons per month this year under their limited appropriation. We have depended almost entirely for supervision of the School Lunch Program on WPA. WPA does not supply a cook or a helper where there are less than twenty or twenty-five children participating. Many small schools in rural areas have absolutely no supervision at all. There is the difficulty of transportation and trucking, and you will find some welfare agencies trying to save administrative expense by cutting down on their number of warehouses. In places where schools formerly may have been able to go to warehouses for commodities twice a month, they must now go only once a month. Perishable commodities will not move to these schools. We have to find out some way to get labor for these programs. We have gone to the Red Cross, the FSA, NYA, and other sources for volunteer labor. Additional labor or help must be found at the local level. We have negotiated with the WPA here but the problem has always been passed back to the WPA Regional and State Administrators. They tell us that the State Administrator has the responsibility to assign the workers to the various projects.

Our Economic Analysis Division right now is under Mr. Davidson. This Division does the research work necessary to determine the basis of issuance and some of our largest problems are centered here. "Issuance formula" is a term which we use to refer to the amount of orange

stamps which must be purchased by a relief client in order to get a certain amount of blue stamps free. If the issuance formula is accurate, we are better able to increase the consumption of food. . . Food consumption studies made by the Economic Analysis Division are a great assistance in determining accurate issuance formulae.

The issuance of commodities is a function of the Program Operation Division. It is somewhat different from the issuance formula used in the Stamp Program. Commodity issuance rates are largely based on dietetic studies which have been made by the Bureau of Home Economics with whom our representatives collaborate in determining what constitutes fair distribution of food to a family during a particular period. Welfare agencies are given maximum rates of commodity issuance. Maximum rates, however, are not always the proper rates. Some welfare cases may not be able to use food at the maximum rates. Distribution of food, therefore, should be watched very closely to avoid waste and spoilage.

The third Division of the Washington office is the Commodity Control Division. It is under Mr. Albers. Its function is to direct the physical handling of commodities - the way the commodities are shipped, warehoused, transported to and made available for direct distribution and to school lunches. The School Lunch Program is served first with such commodities as may be available. If there are any left after we have served school lunches, we serve Direct Distribution and then if there are any left, we serve it to institutions, and there are still some left, we try to give it to more institutions. A recent memorandum which definitely indicated the availability of certain commodities for this fiscal year for both general relief and the School Lunch Program is in the folders which have been distributed to you. It shows we will have white and graham flour, breakfast cereal, evaporated milk, corn grits in South and Southeast, dry beans, dry skim milk, Irish and sweet potatoes, grapefruit, beets and carrots on a seasonal basis. Dried eggs, peanut butter, canned tomatoes and pecans will be made available for the School Lunch Program, but only insofar as supplies will permit. The allocation of these commodities for distribution is a function which we call allocating and shipping. The quantity of a commodity which will be available for distribution in the various regions is decided as follows: Say there are 100 carloads of dried beans available at some point of purchase. We don't know where these commodities may be needed, so Mr. Albers sends a wire to each Regional office, giving pertinent information. The Regional office fans the information out to the various states in the Region. Information as to the states' needs is sent back to the Washington office, availability of commodities is later confirmed, and the state welfare agencies are instructed by our state representatives to send their delivery orders or shipping instructions in to the Washington office, for which bills of lading are prepared. Bills of lading and shipping instructions are sent to the Purchase Branch for arranging shipment at points of purchase.

I don't think there is a full appreciation of the importance of allocation and shipping. We would like to decentralize this function more. Certain matters pertaining to allocating and shipping are taken up directly between the Washington office and the state welfare agencies. When our state supervisors become more familiar with this work this direct contact will be minimized. State supervisors are not sensitive to the importance

of this particular function of distribution. You can't assign this responsibility to a \$1620 clerk. We are sending out to the Regional offices a policy letter covering in detail this phase of our operations. When our field offices are fully equipped to handle all phases of allocation and shipping, the entire function will be decentralized to our regional offices.

Another point - another phase of Commodity Control is Warehouse and Inventory Control. I should like to give you several examples of inadequate Warehouse and Inventory Control. In the state of Maine we discontinued the distribution of commodities through the state. We don't like to do this because the public assistance cases and school children receiving the commodities usually suffer. The state had only two or three warehouses in which the commodities were stored, but over-ordering and bad warehouse conditions were resulting in wastage and spoilage. In Vermont three or four people were recently convicted for theft of commodities. It happened in a small town where the warehouseman continuously stole the commodities and sold them to his friends. We are going to do more and more investigation in this particular field. We discovered what was going on there through our supervisor and as the result of that discovery these indictments took place. Inadequate warehouse and inventory control made this illicit arrangement possible and there was no way to check the practice. Even a physical inventory of commodities was not possible because the commodities were stored in such disorder. Another example was in California many months ago. Commodities were ordered by the central office of the state without checking needs with the local warehouses. The result was that they built up a load of commodities such as cereal and grain products which they could not use. We had to move some of them into other states. Large quantities were spoiled because the warehouses had been fumigated so often the commodities tasted of the fumigants.

The Trade Relations Division in the Washington office is headed by Tom Dawsey. At the present time we are preparing a uniform compliance procedure. There are two schools of thought on compliance. One leaned to the policing method - take every offender and put him in jail. The other leaned to the educational method. We have had experience with both. We don't think that either one of these methods is the perfect answer, but we think that something in between them may serve our purpose. Instead of using stooges and under-cover men, we have what we call a "shopper." We put him on our payroll. He (or she) is a regular employee of the AMA. He goes into the store and tried to make an illegal purchase. If he is successful in making an illegal purchase, he will show his identification card to show he is an inspector. He has the retailer sign a form acknowledging the offense and which is also a notice for the retailer to appear for an interview at the area office at such and such a date. The shopper then gives the groceries back to the retailer, and the retailer returns the stamps. We used always to have the groceries on our hands and not know what to do with them, and the retailer would have the stamps and we couldn't get them back. He would, of course, place them on a card and claim payment for them. This was a false claim. Mr. Dawsey will have this plan out before long. He is now setting up an experimental area in all the regions.

Our fifth Division is our Nutrition Division. This is not a Division

in the sense that the other four Divisions are Divisions of the Distribution Branch. It is, however, as much a part of what we are doing in Washington as any other function of the Distribution Branch. It is set up along different lines. We have obtained on detail from the Bureau of Home Economics the services of Mrs. Rowena Carpenter. Under the supervision of Dr. Louise Stanley, Director of the Bureau of Home Economics, Mrs. Carpenter advises us on nutrition matters. We have a nutrition specialist in each of the Regional offices except in the northeast. The purpose of the nutrition division is to get out to the Regional offices low-cost recipes with statements as to the use of the commodities. There are nutritionists' services available in other agencies - Extension Service, State Departments, Public Health Service, and some private agencies, which will be available to us. Mrs. Carpenter and our regional nutritionists will be able to determine how to use these services to our best advantage.

There was a question raised in yesterday's meeting in Mr. Hendrickson's office about cutting funds, and it was indicated that some curtailment of our operations may be necessary. As far as I know, however, they will expand school milk up to $7\frac{1}{2}$ million dollars. We have hopes of going further. I'm sure it is also equally desirable that we expand the School Lunch Program. We have hopes of increasing the amount of commodities available over what we distributed last year. I think we can all assure you that there will be no curtailment in the School Lunch Program. We would like to have it expanded to reach 9,000,000 children, if possible. Any curtailment to meet the cut in funds will probably come from the Stamp Program and Direct Distribution. Here is the problem. We don't know how to make this cut. We are now working on this and are making some progress. Dr. Waugh and Dr. Gold are working with us on the problem. We have been considering a flat rate of issuance of blue stamps of \$2.00 per person per month. We don't know if that is the answer to all the problems, but we do know that it would be an answer to cutting the program cost and it would take care of another problem - the disparity between benefits under the Stamp and Direct Distribution Programs. Last year the average cost of blue stamps issued per person per month by the Stamp Program was \$2.70 per person per month. On Direct Distribution, the cost per person per month was 45¢ and on School Lunch the cost was 46¢ per person per month. If we cut to a flat rate from \$2.70 to \$2.00 per person per month, and increase the rate of direct distribution it would eliminate some of this disparity. We are considering at this time some kind of a formula which will assure more equitable distribution of our expenditures according to states. Marc Gordon has done a great deal of work on this formula and I would like him to tell you what has been done.

MR. GORDON: Mr. Hendrickson mentioned at a meeting yesterday that there is some need for readjusting Section 32 expenditures by states so that benefits of AMA will be distributed more equally to states. During the time the Stamp Program was expanding, it was extended to new areas with the idea that it eventually would be nation-wide. No attempt was made to get the Stamp Program on an equitable basis by states. The demand for the program varied a great deal from state to state. It varied according to the promotional ability of our own field people. It varied according to the willingness of state and local authorities to assume obligations required under the Stamp Plan. So the Food Stamp

Program expanded where there was a demand for it and where it was most easily put into operation. Expenditures for the School Lunch Program correspond a little more closely to need than does the Stamp Program. Penny milk was not expanded very uniformly and was initially confined largely to a few states. Consequently Section 32 expenditures are not equitably distributed. There are good reasons why more money should go into some areas and in some states than others. Nevertheless, present distribution of expenditures is difficult to defend. It would be difficult for us to defend as much as we spend in a few of the states or as little as we spend in some of the others. Sometime ago the Administrator appointed a committee to study the problem and recommend some formula for allocating these funds to regions and states. The committee considered that the best means of allocating is to allocate on the basis of need. The question of determining need however was a difficult one. Allocation probably should be made on the basis of per capita real income, but no adequate figures exist by states. We considered doing it on a basis of number of people participating in the Social Security Program, but that method had to be discarded because many states had a very incomplete Social Security Program. Another possibility was to allocate funds to Regions and states on the basis of Regional case load - number of persons eligible for the Stamp Plan and Direct Distribution Program. There are a lot of disadvantages in doing that because the method used to arrive at an eligible case load varies a great deal. The Committee finally recommended a method of allocating to Regions on the basis of population and case load, giving equal weight to each and to states within Regions on the basis of population only. It was felt that case load is a fairly good indication of relative need by Regions, but that within Regions there is too much variation in certification practices as between states.

Under this system, the Southern and Southwestern Regions would get more Section 32 money than their proportionate share on a population basis. As the Administrator indicated yesterday, the allocations have not been decided. The chances are that the Southwestern and Midwestern Regions are now spending Section 32 money at an excessive rate. The Southern and Great Lakes Regions are probably under-spending. The Mountain Region is slightly over-spending. The Pacific Region is about right. Some of the Regions, notably Northeastern, Southwestern, and Midwestern, are to be faced with the problem of cutting down the rate of expenditures for all programs and at the same time to expand school lunches and penny milk. Probably regions now under-spending will not be permitted to expand because our over-all available funds are going to be a great deal less than last year. States in which the rate of expenditures is too large are those in which the Stamp Plan is state wide or in which the Stamp Plan reaches the greatest percentage of population, because, as Mr. Kunkel pointed out, the rate of supplementation is greater under the Stamp Program. Consequently a reduction in supplementation would go a long way toward adjusting the inequalities.

OPERATIONS OF COMMODITY PURCHASE PROGRAMS UNDER SECTION 32 LEGISLATION

H. C. Albin, Chief, Purchase Branch

Gentlemen: I have a suspicion that you are pretty well talked to death and I don't want to add unduly to your burden. I will, therefore, do my utmost to limit my remarks on Section 32 Purchase Programs to the barest essentials. The history of commodity purchase programs pursuant to Congressional legislation, usually referred to as "Section 32," has a particular operating philosophy running throughout its pages. This is a practical philosophy of service to the producers, to the agricultural marketing structure of the Nation, and to the consumers. The several men who have been charged by Secretaries of Agriculture with the administration of this legislation have given to its operations the best that they had so that the commodity purchase programs would operate effectively. Chester Davis, Howard Tolley, Jesse Tapp, Milo Perkins, and now Roy Hendrickson, have made the service philosophy of Section 32 a national agricultural institution.

When we look back at our purchase activities under this legislation, there is one outstanding result which is impressive. It is the effect that our activities have had on the entire market history during the past several years. By and large, this effect has been one of construction and development of better marketing conditions for the producers. This result was in no way accidental. To attain it we were required to have a full understanding of the entire market situation for a particular commodity and any attendant circumstances which might affect the "marketability" of a commodity which was looked upon as being in surplus status. Our vast numbers of purchase programs are marked with irrevocable tributes to the men responsible for their operations. These tributes are recognized in the courage that our producers throughout the country have developed in their feeling of security that the Administration would exert every effort to give them a fair deal in this problem.

Concurrent with the development of producers' courage, we notice a companion development which we might refer to as "buyer courage." This is important. With grade and price guaranteed by the Administration, both the seller and the buyer can deal on the open markets in a spirit of amiable cooperativeness and mutual trust. The philosophy of operation of Section 32 Purchase Programs has, in addition, resulted in better grades of commodities and better packaging for commodities.

While we agree that the philosophy has, in general, been progressive, we must be aware of some of the operating details which gave this philosophy articulation and action. Fundamentally, these programs have been operated to protect growers' interests and other similar interests and have been operated on schedule so that no invalid marketing situation developed. Our representatives "on the ground" have been responsible, to a great extent, for the operations of the programs and since we had men in whom we had confidence, we could take their evaluations of market conditions, the effect of climate, soil problems, changes in consumer tastes, and possible depletion of sales of the commodity, as valid and objective. Therefore, we have confidently inaugurated purchase programs pursuant to their recommendations. This is administratively important if you are to get the best out of the purchase representatives.

Unless we know what we are going to buy, why we are going to buy it, when we are going to buy, and have an outlet for whatever we buy, it is quite apparent that our operations would soon occasion a great deal of criticism. In general, I feel that today we have a "natural operating situation" for this type of purchase program. With good men on the ground giving us the immediate picture in the area, we in Washington have been in the advantageous position of being able to make final judgments, knowing that this adequate information was available upon which to base that judgment. The question of outlets for our purchases has been very important. Today the question of outlets is more important than ever before. I do not feel that we can look upon Section 32 Purchase Programs as a cure-all for any marketing ill. Rather, it is an administrative medicine which makes it possible for the patient in which we are interested to regain much needed strength so that the supplemental therapy of marketing organization can be applied with the confidence that the patient is in a condition to respond to treatment.

In addition to these all-important contributions which Section 32 purchase operations have made to the over-all agricultural picture, there is another phase of our operations which is not immediately evident. I refer to the effect that our purchase procedures has had in helping local producers to attain solidarity of purpose and interest. I have received verbal and written statements from all over the country advising me that the growers' committees, which were established by our representatives in the interest of a possible commodity purchase program in the area, have continued to flourish almost as social or economic institutions and media in their particular sections of the country. These reports have been supplemented by statements from local banking organizations, Chambers of Commerce, Senators and Congressmen, county agents, and State Departments of Agriculture, attesting to the real worth whileness of these operations.

It is difficult, if not impossible, to foretell when a surplus is going to occur in any particular area or section of the country. Nature itself precludes such prophecy. Such questions as crop maturity dates and competition from other commodities which might destroy the market are questions which no person can be expected to foretell with definite accuracy. I emphasize this point because we cannot expect our field men to be soothsayers.

Briefly, the procedure for setting up a local purchase program is about as follows. The Washington Office supplements, as much as we can, the information submitted by the local representative relative to crop conditions, weather, and other important and relevant background material. Each representative, when he goes into a particular area, confers with representatives of the Extension Service, the county agents, other representatives of the Department of Agriculture, members of the local Chamber of Commerce, and local appointed and elected officials. We feel that if our men do this they should have a very good picture of the problems to be encountered in setting up the program and the possible demands that the market might make on our activities. Following this, our representative confers with the producers in the area through the medium of growers' committees. This gives him the complete "on-the-ground" picture and he is in an excellent position to evaluate his own status in possible developments in the area. These growers' meetings are, to my way of thinking, definite evidence of democracy in action since they represent a technique for presenting ideas and problems in a spirit of friendliness and cooperation. In addition to the committee's giving our representative the complete picture in the area, it acts, more or less, as the intermediary between him and any "pressure

group" that may be trying to operate in that particular section in its own interests. I also feel, from the experience that I have had, that with the opportunity our representative has of expediting procedures by explaining the proper methods of filling out the required forms, we have been able to speed up the payment to the producers so that the final bond of cooperation is sealed by a medium which can keep the producer on his own feet and in the market picture.

The demands made on our local purchase representative are tremendous. He must be at one and the same time a judge and a jury. Growers approach him for advice and pressure groups approach him for favors. In addition to these demands, the procedures themselves make demands on him which many times require his attention after the day's purchase operations are completed. These demands include such things as acquiring adequate and sufficient equipment from the carriers so that the purchased commodities can move in an orderly fashion to the outlet point, and securing office space, personnel, etc.

Since the causes of surplus are extremely variable, we have found it advantageous to appoint "market-wise" personnel to our field staff. Local economic conditions, as indicated by market studies, are usually ascribed to be the basic cause of surplus. This may be described in many ways, including overproduction in an area where marketing facilities are inadequate or limited, an attempt on the part of a self-centered group to promote a purchase program, or the absence of planning. The presence of a purchase representative in these areas brings about a certain psychological effect on the producers so that we find them approaching the market place confidently and insisting upon the rights that they know to be their own. Simultaneously, the buyer finds himself in a position where he is also protected and where he can buy confidently since he is protected against any unusual or precipitated market slump.

The problems I have set forth here are what we might call ordinary problems occurring under usual operating conditions. However, today we are not living in ordinary normal times. The advent of war with the effect of diminishing transportation facilities, because of fuel and rubber shortages, has a direct and immediate effect on our purchase program plans and operations. With this situation facing them, our representatives must become even more ingenious and assume even more initiative than heretofore, particularly in arranging for transportation equipment in order to move the commodities out of the producing area into the marketing area.

If I might sum up the various characteristics that go to make up a good purchase representative, I would say they are: market sense, sincerity, genuineness, and an enthusiastic interest in doing the job which has been assigned to us. Unless you have this type of an individual operating your purchase programs, you will find yourself besieged by complaints and grievances which will take up a considerable portion of your working day.

It has been said that the Section 32 Programs are not "war" programs. I cannot agree with this. Fortunately, I have been in a position where I have had complete knowledge of our Lend-Lease requirements and when I realize the demands that are going to be made on our farmers on the food production line, I feel it is even more important that the Congress by legislative action guarantee the American farmer not only a fair and equitable income, but also assure him that the tragedy of surplus against which he has been fighting will not again imperil his economic security. Section 32 contains such

the Division of Procurement if it is apparent that additional purchases should be made to meet the requirements or to protect our stockpile. Or it will refer the information to the Division of Custody and Disposition for the movement of the commodities to port position. The responsibility for smooth operations of our field organization rests in the Division of Field Operations.

In order to handle the responsibilities assigned to the Branch, we have entered into eighteen thousand contracts and are now averaging about fifteen hundred new contracts per month. Since the Branch must account for every pound of food purchased, we process approximately seventeen thousand commodity receipts per month which have been signed by our many consignees, requiring the transmittal of about one hundred and thirty-six thousand documents per month to these consignees.

At the present time we have entered into contracts with more than four hundred and twenty-five warehousemen located throughout the Nation for the storage of AMA-owned commodities.

In addition to these responsibilities, the Branch also, of necessity, maintains very close working relationships with other government agencies such as the War Production Board, the Office of Price Administration, the Board of Economic Warfare and the Office of Defense Transportation.

a guarantee. Today every American farmer knows that if, from some unexpected cause, his carefully planned war production will not be marketable, the AMA stands ready to help him protect that market as much as possible.

In addition to the Section 32 Purchase Program, the Purchase Branch has several other purchase programs occasioned by the demands of war. These programs are operated, in the main, on an offer and acceptance basis and are managed in the Washington Office.

These are: The General Commodity Purchase Program, the Defense Aid or Lend-Lease Program, the Red Cross or Section 40 Program, the Territorial Emergency Program, and the Caribbean Stockpile Program.

The General Commodity Purchase Program, usually referred to as "GCP," was instituted on March 8, 1941. We might say that this is our "operating purchase program" since under its terms we have wide latitude to sell to and exchange with other programs. The distinct advantage of this program is that under its authority we can maintain stockpiles, thereby being in a position to meet the demands of other programs quickly. For instance, when the Territorial Emergency Program or "TEP" was established by the Congress on December 23, 1941, the Branch was in a position, by virtue of the CGP stockpile, to move commodities into San Francisco on December 24, 1941, to meet the first food boat going to Hawaii. During the seventeen months of purchase activities in the CGP Program, we have purchased one and one-half billions of dollars of foodstuffs. Of this amount, approximately one billion dollars of commodities has been purchased in turn by the Defense Aid Program for consignment to the British, Russians and others. The Defense Aid, or Lend-Lease Program, was created by an Act of Congress on March 11, 1941. Since December 23, 1941, when the TEP Program was inaugurated we have purchased approximately thirteen millions of dollars of foodstuffs for Hawaii.

In addition to these programs, there was established on June 8, 1942, the Caribbean Stockpile Program. This program is actually two-in-one. On the one hand, we are purchasing commodities under requisitions from the Department of the Interior to be paid for by funds appropriated to that Department for the purpose of feeding the civilian population in the American Possessions in the Caribbean. On the other hand, we are purchasing commodities for stockpiling in Santiago de Cuba and San Juan, Puerto Rico, for eventual use either in the United States Possessions or for sale to the British and other countries represented in the area. To date we have expended four millions of dollars under the authority of this program.

During the period March 1941 to July 1941, our purchases averaged about twenty-five millions of dollars per month; during the period July 1941 to October 1941, purchases increased to a monthly average of approximately fifty millions of dollars. At the present time we are purchasing at the rate of almost one hundred and fifty millions of dollars per month.

The Purchase Branch, which is charged with the responsibility of procuring, storing and shipping commodities, is organized on a Divisional basis determined by the flow of work through the Branch. This flow of work is briefly as follows: When program requirements are received from the Office of the Administrator, they are transmitted to the Division of Program Planning and Operations, which has the inventory position on all commodities immediately available. This Division reflects the requirements against our inventory position and submits this information, with a recommendation for action, to

COMMODITY EXCHANGE BRANCH

J. M. Mehl, Chief

I am sure that the regional administrators have learned by this time that Mr. Hendrickson has quite a large official family. In this family are ten daughters. Each bears the middle name of "Branch." Nine of them are very beautiful, very attractive, and are assiduously courted by the boys on the Hill. The tenth daughter, the Commodity Exchange Branch, is very plain and, as Mr. Hendrickson indicated last evening, is lacking in sex appeal. The boys on the Hill can't see anything interesting in her at all. However, this daughter is a pretty good girl. She's 22 years old; she has never been involved in any scandal, and has never made much trouble for her parents. She has not had a lot of publicity of any kind, but some of it, at least, has reflected credit to the Department. I am hopeful that through the AMA we may make this "ugly duckling" a little more attractive. A little face lifting, perhaps. I hope that Hendrickson may find enough time sometime away from being "Butter and Egg Man" to a warring world, that he can devote some of his great ability and driving force, he and Mr. Kitchen, to bringing this child out.

I'm not complaining about the cut in appropriations last year. It was large--26 percent. We felt rather bad about it, but I can not say the attitude of Congress was not understandable, even if I do not agree with it. But--and this may seem inconsistent--I don't think it was entirely illogical from the congressional point of view. Congressmen and Senators alike naturally took cognizance of the fact that at the time of the hearings there was price legislation and many war powers were in effect. I think it was quite natural for them to feel that under the war powers and under the Emergency Price Control Act, the Government had greater authority to deal with prices and to deal with manipulation, speculation, and that sort of thing, than could be exercised under the Commodity Exchange Act. They also felt that speculation was on the way out. In the public mind, as well as in the mind of Congress, futures trading and speculation mean about one and the same thing.

I heard Harry Reed this afternoon say, well, he boasted of the fact that AMA was the best outfit in the Department of Agriculture. We all agreed. Then he admitted and waived proof of the fact that the Livestock Branch was the best outfit in AMA. I did not hear all the other branch chiefs, but I assume they followed suit. Now, I can not conscientiously say that the Commodity Exchange Branch has the most important work in the Department of Agriculture at the present time. Indeed, I am quite prepared--and this isn't a prophecy, it isn't a fear--but if this war goes on long enough, and scarcities of food supplies and basic commodities become a reality to such an extent that we have general price fixing and ceilings, obviously futures trading will be severely reduced. Perhaps it will be carried on only in nominal amounts. But AMA must assume leadership for developing a great marketing program in this country that will begin with the producer and carry right through to the consumer. In this program, recognition must be made of the commodity exchanges, which in their essential elements are after all just a meeting place for buyers and sellers. They grow up pretty much in the same way that a bar association is organized. A few lawyers get together at lunch, talk over mutual problems; in time a set of rules are developed. Conditions for membership are laid down and finally a code of ethics governing professional conduct is established.

We shall have commodity exchanges so long as there is any semblance of a free marketing mechanism. It may be that futures trading will not be the most important activity on the exchange. Speculation may be very much smaller in volume after the war. But there is a place for these institutions, and when the time is ripe the AMA should take the leadership in pressing for regulation that will emphasize more control over the cash markets and also strengthen the provisions with respect to futures trading.

Ordinarily, in developing discussion concerning the work of the Commodity Exchange Branch, I suppose I would start with a history of the act and of the conditions which led to the enactment of the basic law in 1922--the Grain Futures Act. I do not believe this kind of discussion will be necessary tonight. The Future Trading Act of 1921 was rather interesting. It was declared unconstitutional as an improper and invalid use of the taxing power. I don't know whether the Olsen case, which established the constitutionality of the Grain Futures Act is regarded by lawyers as a leading case, but it certainly marked a change, or introduced a new twist, in commerce law. Prior to the time that the Future Trading Act was enacted, I believe legislative counsel, and Department lawyers generally, felt that the power to regulate interstate commerce could not be invoked to regulate futures trading, because all futures contracts are in fact contracts made and executed wholly within the confines of a State. So the first law was predicated on the taxing power. But the United States Supreme Court, in the Future Trading Act case, practically suggested that although regulation could not be had through use of the taxing power, there was foundation for the use of the commerce powers. The Grain Futures Act and the present Commodity Exchange Act rest on a recognition that the use of futures markets in hedging commodities moving in interstate commerce and their use as a price-basing medium affects interstate commerce, and that abuses in these markets make regulation necessary.

The Commodity Exchange Branch, unlike most of the other branches, has just one function, one responsibility--the enforcement of the Commodity Exchange Act. The purpose of that act, in very general terms, is to regulate futures trading in certain important agricultural commodities, and to extend a measure of Federal regulation over commodity exchanges. It does not cover all agricultural commodities. It covers all grains, flaxseed and soybeans, cotton, wool tops, millfeeds, cottonseed, cottonseed meal, soybean meal, butter and eggs, potatoes, peanuts, and all fats and oils. There have been active futures markets in about 20 of these commodities. The act does not apply to grease wool, does not cover sugar, coffee, cocoa, rubber, or silk, and does not cover any of the metals. There are about 36 commodities in which there have been futures markets. It is a fact that the commodities that are covered by the Commodity Exchange Act are about the only ones in which there is any semblance of futures trading at the present time. In point of value of the volume of trading, the commodities that are covered by the Commodity Exchange Act comprised about 95 percent of the trading in all commodities. The others, including the metals, amounted to only about 5 percent.

I believe it was Captain Olmstead who suggested that we be prepared to give the regional administrators a list of our field offices and the number of persons in each field office. We have a very small organization. In Washington we have only about 40 persons. Our work divides into 5 divisions. These 5 divisions consist of a Compliance Division, Economic Division, License and Rules Division, Segregated Funds Division, and Trading Division.

We have six field offices located as follows: Chicago, with 53 employees, Kansas City with 6 employees, Minneapolis with 6 employees, New Orleans with 11 employees, and New York with 34 employees. We have one accountant in San Francisco who I believe has desk room in the Distribution Branch. We did have an office in Portland. It was closed just recently. I am anxious to establish some more direct contact with the Portland and Seattle exchanges. Not very much trading is done in those markets, but we would like to have something in the way of a listening post out there.

I have considered, Dr. Gold, that these regional administrators will not be able to take back with them a lot of technical information and that they are mainly concerned with getting within their grasp an idea of the various activities that are being conducted by AMA and of general organization structure of which they are a part. So I am not going to try to tell them what is in the Commodity Exchange Act. It has been my purpose rather to outline some of the objectives. I do feel that in its essentials it is a very important activity. The Department spends a lot of money and does a very good job--a very necessary job--in the inspection field. It has gone a long way to assure the public, consumers and producers alike, of getting what they are entitled to in the way of honest standards of quality. That is very important, but I think it is no less important to see that they are not cheated or taken advantage of in the public market place through price manipulation. It is just as important to see that the price-making machinery itself is functioning smoothly and without abuse.

Right at the moment there is nothing very dramatic or exciting about the work of the Commodity Exchange Branch, but when the markets are active it becomes a "hot spot" and a focal point for a variety of business, Government, and political interests. We're offered bribes--I mention this in case you might be interested--we are threatened with blackmail; we are, well, as I said when I started my talk, we have not been involved in any scandal, but I hate to think how close I came one time to being an overnight guest on Mr. Blank's private yacht, and if someone hadn't tipped me off as to the owner of the yacht and what kind of party it was going to be, I am afraid I would have come back without any morals and without even a cloak of respectability.

There are quite a large number of futures commission merchants registered under the Commodity Exchange Act. This is a licensing function. As of June 30, 1942, there were 602 registered futures commission merchants. They had 1,519 offices in continental United States, 535 of these offices being located in the Northeastern Region. In the Southern Region there were 160 offices. In the Southwestern Region, which takes in New Orleans, there were 87 offices. The Mountain Region had 18 offices. In the Pacific Region there were 90 offices. In the Midwestern Region there were 295 offices. The Great Lakes Region had 334 offices. In this region, under our Chicago office, there is maintained supervision over the Chicago Board of Trade, Chicago Open Board of Trade, Chicago Mercantile Exchange, and Milwaukee Grain and Stock Exchange. Since the abandonment of the Portland office, supervision of the Portland Grain Exchange and the Seattle Grain Exchange has been under the Chicago office. Our Kansas City and Minneapolis offices fall in the Midwestern Region. The exchanges in this region are the Kansas City Board of Trade, the St. Louis Merchants' Exchange, the Minneapolis Chamber of Commerce, and the Duluth Board of Trade. The New Orleans field office has jurisdiction over the New Orleans Cotton Exchange and also the Memphis Merchants' Exchange Clearing Association. The New Orleans Cotton Exchange is located in the

Southwestern Region, while the Memphis exchange is in the Southern Region. The New York office, in the Northeastern Region, has supervision over the New York Cotton Exchange, New York Wool Top Exchange, New York Mercantile Exchange, and New York Produce Exchange.

We release from our field offices at noon the volume of trading in the futures of various commodities for the previous day, and also the amount of open contracts. We receive every day certain reports on volume of trading and on open contracts by clearing firms and by traders in the market. These give us an index to market activity, indicate unusual activities, and give us the clue to the need for more intensive investigation. These daily releases on volume of trading and amount of open contracts are of very great interest to the trade--especially the figures on open contracts.

I shall not take any more time. I imagine I have talked about everything except what the regional administrators were interested in. I have talked without manuscript and without notes and have rambled all over the place. I have here a set of charts, a copy of the law, and a list of the field offices showing the supervisors in charge. The functional chart shows the breakdown of work among the various divisions. Here is also a table showing the commodities covered by the act, and the markets in which futures trading is conducted. I have enough sets for each of the regional directors and will leave them here with Dr. Gold.

TRANSPORTATION AND WAREHOUSING BRANCH

William C. Crow, Chief

I like to think of this marketing job of A.M.A. as being a complete job of working out and carrying out a marketing program from the time the product leaves the farmer until it gets to the consumer. No part of the program is more important than any other part. I don't think A.M.A. will get anywhere unless we try to build a complete marketing program. That doesn't mean A.M.A. will do the whole job, however, because we must work out a marketing system in which the state people have a place, and local people have a place, and A.M.A. has a place. One of the best opportunities that regional representatives have is to work with the state people in developing a coordinated program in which we will all have our part. If we do that, I believe we can have the most popular and useful program in the Department of Agriculture, but, today we must have a way of tying in with state people. In the work of the Transportation and Warehousing Branch, we are doing exactly that. We are tying in constantly with the state people; with utility or railroad commissions, or whatever they are called; with commerce counsels, with farm organizations, cooperative groups; with other Federal agencies--O.P.A., O.D.T., I.C.C., W.P.B. Our work on marketing facilities we do not carry on in states except in cooperation with state agencies. I am inclined to say that slows the work up a little, but pays dividends. I am thinking how we can tie in with state people and do the job. That is a topic any regional group should think about. I want to give a few illustrations of the work A.M.A. does in the field of transportation, warehousing, and marketing facilities. The Secretary says: Everything that has to do with the physical handling of farm products from the farmer to the consumer, in general, is the job that is assigned to the Transportation and Warehousing Branch. The people in the Transportation and Warehousing Branch are fully aware of the fact that all problems involve commodities. Therefore, we are trying as hard as we can to work cooperatively and make decisions with our own commodity branches. We have a case now in Memphis in which Carl Robinson's people helped us prepare the case. So on down the line.

I decided I would see if I couldn't steal a march on you. I have seven copies, one for each of the seven regional men, of a statement you can just take home with you. When you haven't anything else to do, you can read it. It briefly describes a representative sample of some things we have been doing recently on transportation, warehousing, and market facilities. It doesn't describe all our work, but it gives a representative sample of big and little things. Now, I would like to give just a few illustrations of what we are doing, things that represent fairly well what we are trying to cover in the field.

Several months ago--Dr. Waugh did most of the work on this--you may remember the labor unions of the railroads were going on strike. The labor unions got a 10% wage increase, whereupon the railroads asked for a 10% freight and passenger increase. Our transportation people throughout the A.M.A. were of the opinion that the railroads did not need a 10% increase in order to pay the extra wages, primarily because the volume of business had increased so much they could get by without the 10%. So after a number of governmental agencies had been

willing to go along in increases, the representatives of this Department got up and opposed it. It was a bomb shell. It was also argued that increases on agricultural products should not be as great as on other products. Instead of getting 10% freight increase, they got 6% on non-agricultural products and 3% on agricultural products. This caused a saving of 60 million dollars on our freight bill on movements of farm products. That illustrates one type of activity that the Transportation Division, which is one of three divisions in this Branch, gets into every day.

A little later on, it was proposed that a 5% tax be added to all freight bills, which would be equivalent to a 5% increase in freight rates. Mr. Hendrickson signed a statement opposing this and sent it to the Senate Finance Committee. Last night I heard that the Senate turned down this 5% tax on freight bills. That would have amounted to 40 million dollars on freight bills.

We have a hearing on now in Memphis on cotton. The compress people have tried to do away with 35,000 pound minimum car freight rate on cotton to force the cotton to go through a compress in order to give them some business. It would tend to stop movement of gin bales of cotton. We do not think it desirable for people to force an operation that is not necessary. We are fighting this effort to hamper the movement of gin bales because we do not feel they should saddle that additional charge on the marketing of cotton.

We have requested I.C.C. to launch an investigation into wool rates because, as far as we can find, they are entirely out of line with rates on other products. The Commission that makes official representations announced a few days ago that it would carry on that investigation, and we are now busily engaged in preparing material for testimony, and if we can win out on that case--which we hope we can or we wouldn't have gone into it--it will amount to saving millions of dollars in freight bills on wool and mohair.

There are many other such cases where our people come before state commissions and other bodies to try to get special handling privileges for agricultural products, to protect farm people from exploitation, and get reasonable rates, but I do not need to give any more examples of that. I checked up to see how many cases we had entered into and it runs around 100 in the last few months; some big, some little.

Some trucking companies in the eastern part of the country wanted to form a merger. We did not think it proper since it would be monopolistic--an attempted squeeze to put out small trucking companies. We objected to it. It didn't do us any good. The Commission let them do it anyway. After the merger was formed it seemed that all the things we indicated would happen did happen. It was decided to take the case into the courts. Several members of the Commission were willing to have it done. A little trucking company--we worked with them on it--pulled the thing into court. When the Commission gets into the courts, the Department of Justice is supposed to defend them. The Department of Justice is going to confess error and prosecute the Commission and defend us.

one quarter billion a year. Over one-half of the marketing costs on these fruits and vegetables occurs after these products reach the New York City limits. In fact, nearly half the consumer's dollar spent for these products goes to pay handling in New York City. To put it another way, about one-half the consumers' dollar goes to the farmer and to pay handling up to the New York City limit. We have analyzed the methods of handling these products, checking into the costs and into any and every handling operation. We have tried to figure out which of these operations are unnecessary; which can be reduced in cost. Plans have been worked out that would cut the cost of handling between the city limits and retail stores by about 22 percent, and the only criticism we have had of these figures is that they are too conservative. We have no authority to put the plans across. All we can do is work out the plans. We have to keep working with everybody to try to find somebody that will put across the improvement. In New York City, the City Planning Commission is taking hold and trying to put the plan across.

This is an illustration of the type of thing that is done on the city end of market facilities, but work just as important needs to be done on the country end. For instance, in the South it seems desirable to have a system of concentration markets to which farmers can take their products, get a competitive market and be able to ship in carload, or truckloads. Unless this is done, people down South are going to be hurt by shortage of trucks. Shortage of trucks will show up first on perishable products. If you can get markets properly located, get buyers there, get the grading services and anything else that is needed to make an adequate outlet, you will have done a real service to the farmers of the South. In putting across this type of development, it will be necessary to work with all the agencies of the Federal Government as well as to tie in with private and State agencies.

MR. KITCHEN: Any questions.

Question: I would like to ask what happened to the 22 percent.

MR. CROW: You are thinking of the situation in New York. I think the general answer to that would be that when they are able to effect these economies they would be divided between the grower and the consumer. The fruit and vegetable industry is highly competitive, and I think you will find that a considerable part of the savings will go back to the grower or on to the consumer.

MR. KITCHEN: Mr. Crow has a very small staff to deal with these problems which he has explained. A section under the A.A.A. Act gives us about \$65,000 and gives us authority to intervene in proceedings before the Interstate Commerce Commission. That is an authority which the Department never had before and if we had more staff, we could do more than we have. I would like to emphasize this whole situation. Some of you regional administrators are liable to find yourselves in the midst of that third problem--market facilities.

We have several other cases where we have worked with other agencies. We remain on a friendly basis with the Commission, but there are a number of things popping like that all the time. Now that the trucks are passing out of the picture, the railroads are trying to restore old rates. Since the war has taken boats off, they feel they should be able to raise rates to where they had been. The Department feels this is not good public policy, but it doesn't make public policy by itself. Therefore, we are working with other Federal agencies to determine the course that should be taken.

Another transportation problem that is very important right now is the emergency work. As you know, the truck situation is pretty bad. We have worked in cooperation with other branches, making recommendations, and forwarding them to the Office of Defense Transportation. We view with alarm the outlook on this truck situation because everything practically moves from the farm to the first assembly point by truck. About one-half of the over-the-road movement is by truck and practically all the transportation from the big wholesale markets is by truck. And trucks are rapidly passing out of the picture. We are having a little difficulty getting anything done on that. We have some people who think we should be interested only in farmer-owned trucks hauling to the first market. But you realize that that is very faulty because if a product cannot move from the first market, what is the use of taking it to the first one. The O.D.T. is trying rather ineffectively to conserve trucks by the issuance of orders. There are other orders that are being issued from time to time on the conservation of railway equipment and we are working with O.D.T. trying to help on rail orders. We work with those people to try to help take care of any problems that come up.

I do not believe there is anything else we have time to discuss this morning in connection with transportation, but will attempt to tell a little about the Warehouse Act. We have two types of warehouse activities. First, there is a Federal Warehouse Act under which any warehouseman handling any considerable quantity of agricultural products can get a federal license. There are a few products that are not eligible but warehousemen handling most products can come into the federal system. We have more requests than we have examiners so we are having to turn down some requests. That gives you an idea of the popularity of this Act. These examiners go out to see if the warehouses are properly equipped. They check up on the warehousemen to see if he is financially sound and knows how to handle the products. If he looks all right and if his assets are all right, if he can handle the work, and if his facility is all right, he makes a bond and is licensed. We then have printed receipts for him to issue for the products. At intervals of every three months, our warehouse examiners appear and check that warehouse to see if everything that is supposed to be there is there and in good condition, and it had better be or the warehouseman is in trouble. We have had an unusually good record in the supervising of these warehousemen; in fact, in the 26 years of this Warehouse Act there has not been a depositor that has ever lost one dime. We had a criticism the other day that we do not require a big bond. We do not require a very large bond because the supervision is so good that it is not necessary. I believe that in the 26 years the total amount the bonding companies have lost has been only about \$60,000. Obviously, with losses no

greater than that, it is possible to get a bond for almost nothing. The importance of that can be brought out a little bit better if you realize that about a billion and a half dollars worth of these products move through these warehouses each year, and if that many dollars worth can pass through these warehouses so that nobody loses anything, I think it is a pretty good record. Here's an illustration. This happened before I became connected with this particular Branch. There was a wool man that needed to get seven million dollars - this was a very large sum of money to get anywhere. He had his financial arrangement worked out but it fell through. Wool was being moved and he had to have the money in a very few days. The money was borrowed on this man's warehouse receipt from a bank of New York without anything or anyone standing for him or without the bank even knowing or seeing the man - just on the warehouse receipt. That gives an idea of what the people think of the value of these receipts. Of course, the receipts are merely a symbol of the supervision.

Another type of warehouse inspection activity is the inspection of warehouses storing AMA products. The A.M.A. is buying now a billion dollars worth of products a year for shipment under lend-lease. As of recent date, about 32,000 carloads of products of A.M.A. were in storage over the country. Many of these products are not commodities that are eligible for licensing under the Federal Warehouse Act, so it seemed desirable to make some kind of inspection of these warehouses. We recently inaugurated a system of checking warehouses and warehousemen and checking the products while there to see if they are in good condition. Any warehouseman may submit an offer to Mr. Osgood in the Purchase Branch, and if he has the right type of warehouse, properly located, and his bid is right, he can solicit our business. Most of our storage needs have been taken care of by bids from regular storage warehousemen.

Besides this inspection work, we have the responsibility of checking up on the adequacy of warehousing and passing on priorities for building new warehouses. In this latter we are working with W.P.B. and other agencies concerned. We have records of all the cold storage space in the country, and we have estimates of quantities that are going to have to be stored and we have also worked out plans for dealing with storage shortages. On cold storage, we have found out which products do not have to stay in cold storage and have found out other types of storage space that can be used in case it becomes necessary to use it. We have information on the cold storage space that is very complete. On the first of every month we issue reports on cold storage holdings. We have information on the percentage of occupancy so that every two weeks we can tell just what percent of the space in any cold storage house is occupied. That comes in handy for passing on priorities on building. We have the same type of information on storage warehouses that are used by meat packers, etc.

Third on the list of activities is market facilities. By that, we mean the planning of facilities for handling farm products. To illustrate, in New York City more than two hundred thousand carloads of fresh fruits and vegetables are received each year. That is about a carload a minute for every daylight minute of the year. The total value of these fruits and vegetables runs over

We are excited over the shortage of meat even though, according to the best estimates we have, a hundred million hogs in this country will be ready for market this fall. It means about 25 percent increase. We are considerably concerned as to whether transportation and packing facilities will be able to handle it. It has been quite customary for hog producers to ship their hogs in December and January. We have recently made a full survey of packing house facilities and it looks as if it is going to be pretty tight in Iowa, Southern Maine and Northern Illinois. I think that, in about a week or so, we are going to send a man to Chicago to start working on this particular problem. We are also working on farm estimates. Nobody wants to tell the farmer he must get a permit before he can take his hogs to market, but that situation may develop and we may have to be prepared to meet it. I will see to it that anyone we send from Washington will advise you what to do.

When we can make a saving of eight million dollars a year just in the handling of fruits and vegetables in New York, it is a pretty sad commentary on our marketing system. There is not much we can do until after the war because the facilities are not available, but I think that is a problem you regional operators should be studying because in the adjustments that will have to be made after the war I look for some drastic changes to be made and it may well be that the Government will have to finance some of these facilities. If we are going to clear away some of these unfair things we will have to have more legislation. The probabilities are that we will be able to get more legislation after the war than we have had before, and you regional men, so far as I am concerned, will be expected to take the lead in that sort of thing. I was here when the first marketing news was started in the Department of Agriculture. Up to that time the Department had devoted itself entirely to production but as Mr. Houston, who was here at that time, said, production is only one-half of agriculture and marketing the other half.

